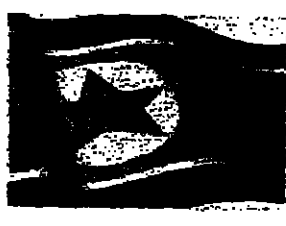


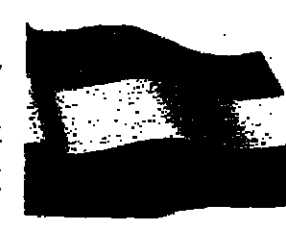
Thursday October 18 1994
ohl victory
PAN EQUITIES TURNOVER
total in local currencies (m)



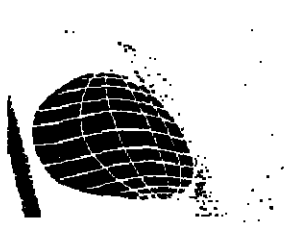
Nuclear Korea
Details of the North's
deal with the US
Page 5



Paper profits
Used newspapers in
demand for recycling
Page 10



Today's surveys
N. American Business
Cities/Luxembourg
Separate sections



Tokyo troubles
Financial status
threatened
Page 16

FINANCIAL TIMES

Europe's Business Newspaper

WEDNESDAY OCTOBER 19 1994

D8523A

Sales of Tagamet in US fall 76% as patent expires

US sales of Tagamet, once SmithKline Beecham's best-selling drug, collapsed by 76 per cent in the third quarter to \$31m (\$47m) following the expiry in May of patent protection for the UK pharmaceutical company's ulcer remedy. Tagamet's weakness was partly counterbalanced by the company's portfolio of new drugs, sales of which rose 83 per cent to \$220m over the same period last year. Pre-tax profits were 2 per cent down on \$285m, although last year's third quarter included an exceptional \$14m gain. Page 17; Lex, Page 16

Russia appoints acting chief of central bank

Tatyana Paramonova, 44, was appointed acting chairman of the Russian central bank in succession to Victor Geraschenko, who resigned last week. Ms Paramonova is one of the youngest of the bank's deputy chairmen and the only woman in its senior management. Page 2

Carmakers accuse EU over research plan

European carmakers accused the European Commission and EU governments of failing to meet financial and strategic planning obligations under an eight-year, Ecu900m (\$1.1bn) collaborative research programme aimed at halving the EU's 50,000 road deaths a year by 2010. Peugeot chairman Jacques Calvet (above) and Fiat managing director Giorgio Garuzzo said the goal was under threat and technology developed by Europe's vehicle and component manufacturers could be overtaken by the Japanese and North American motor industries. Page 16

ques Calvet (above) and Fiat managing director Giorgio Garuzzo said the goal was under threat and technology developed by Europe's vehicle and component manufacturers could be overtaken by the Japanese and North American motor industries. Page 16

GE 13% ahead despite banking losses: General Electric, the diversified US conglomerate, shrugged off losses at its Kidder Peabody investment banking subsidiary with a 13 per cent rise in third-quarter net earnings to \$1.38bn. Page 17

IBM set to sell UK plant: International Business Machines, the world's largest computer maker, is planning to sell all or part of its profitable manufacturing operation at Havant in the south of England. Page 16

China's inflation rate reaches 27.4%: China's annual inflation rate rose to 27.4 per cent in September, putting more pressure on the central government which fears social unrest. The figure was up nearly two percentage points on August, the State Statistical Bureau said. Page 16

Estonia's bow door located: A Finnish search vessel found the bow door of the ferry Estonia, which sank in the Baltic Sea with the loss of more than 900 lives. The 55-tonne door was about a mile from the wreck.

Rover plans 1,450 new jobs: UK carmaker Rover is to create 1,450 jobs at its British plants in response to strongly rising sales, particularly in export markets. Page 8; Daxworld unveils expansion plan, Page 7; Dying romance of the open road, Page 14; Lex, Page 45

Thomson-CSF profits fall: Thomson-CSF, French state-controlled defence electronics company, revealed the bottom line cost of its one-fifth stake in troubled state bank Credit Lyonnais when it reported first-half net profits down to FF31m (\$5.6m) from FF455m a year earlier.

Seven die in Texas floods: Seven people died in flash floods as 20 inches of rain fell in 36 hours in parts of Texas. More than 10,000 people were evacuated.

Kohl pressed on spending cuts: Germany's re-elected government came under pressure from industry and the Bundesbank to stick to plans for spending cuts and take strong action to reform the costly social welfare system. Page 3

Securities firms' profits hit: Merrill Lynch and Bear Stearns reported sharply lower profits for the latest quarter, providing further evidence of how the deterioration in Wall Street trading and underwriting conditions has hit securities firms' earnings. Page 20

Statoli and Saga prepare energy ventures: Statoil and Saga Petroleum, two of Norway's biggest oil and gas companies, will today announce an asset swap programme which will clear the way for a Nkr40bn (\$5.6bn) joint development plan for gas fields in the Norwegian Sea. Page 16

STOCK MARKET INDICES
FT-SE 100: 3,065.3 (-34.9)
DAX: 4,480 (-4.48)
FT-SE EUROSTOCK 100: 1,333.52 (-0.9%)
FT-SE-A All-Share: 1,934.4 (-0.9%)
Nikkei: 19,992.4 (-34.11)
New York: Dow Jones Ind. 5,000.76 (-18.17)
S&P Composite: 467.0 (-1.58)

US LUNCHTIME RATES
Federal Funds: 4.75%
3-mo T-bill: 5.81%
Long Bond: 5.6%
Yield: 7.83%

LONDON MONEY
3-mo Interbank: 5.5% (same)
Libor 3m: 5.5% (same)
Libor 6m: 5.5% (same)
Libor 12m: 5.5% (same)

WORTH SEA OIL (Argus)
Brent 15-day (Dec): \$16.19 (\$15.91)
\$ Oil: \$16.19 (\$15.91)
New York: Dec: \$16.19 (\$15.91)
London: \$16.19 (\$15.91)

STOCK MARKET INDICES
New York: Dow Jones Ind. 5,000.76 (-18.17)
S&P Composite: 467.0 (-1.58)
FT-SE 100: 3,065.3 (-34.9)
DAX: 4,480 (-4.48)

STOCK MARKET INDICES
New York: Dow Jones Ind. 5,000.76 (-18.17)
S&P Composite: 467.0 (-1.58)
FT-SE 100: 3,065.3 (-34.9)
DAX: 4,480 (-4.48)

STOCK MARKET INDICES
New York: Dow Jones Ind. 5,000.76 (-18.17)
S&P Composite: 467.0 (-1.58)
FT-SE 100: 3,065.3 (-34.9)
DAX: 4,480 (-4.48)

STOCK MARKET INDICES
New York: Dow Jones Ind. 5,000.76 (-18.17)
S&P Composite: 467.0 (-1.58)
FT-SE 100: 3,065.3 (-34.9)
DAX: 4,480 (-4.48)

STOCK MARKET INDICES
New York: Dow Jones Ind. 5,000.76 (-18.17)
S&P Composite: 467.0 (-1.58)
FT-SE 100: 3,065.3 (-34.9)
DAX: 4,480 (-4.48)

STOCK MARKET INDICES
New York: Dow Jones Ind. 5,000.76 (-18.17)
S&P Composite: 467.0 (-1.58)
FT-SE 100: 3,065.3 (-34.9)
DAX: 4,480 (-4.48)

Dow to buy core of east German chemical sector

By Judy Dempsey in Berlin

Dow Chemical of the US intends to take control of the core of the former East German chemical industry in a deal which will bring DM2.9bn (\$1.87bn) of investment from the Treuhand, Germany's privatisation agency. Treuhand officials said that Dow has signed a letter of intent. The company said the deal would be agreed by the end of the year. Through its subsidiary Dow Deutschland, Dow intends to buy majority stakes in the steam cracker at Sch-

sische Olefinwerke in Böhlen, the electrochemical units and derivative operations at Buna, and the intermediate chemical operations at Leuna. The three units formed the basis of the old East Germany's chemical industry before unification. Since then, the Treuhand has been planning to hive off the entire industry to private investors. It has been engaged in a big restructuring programme aimed at attracting investors to install a new steam cracker facility and oil refinery in the region. The Treuhand has been providing generous financial investment incentives

for the Leuna/Buna/Böhlen chemical sector, in which 82,500 people had been employed before 1990. This figure has fallen sharply to 12,300 through closures, redundancies and early retirement schemes. The Treuhand will invest DM2.9bn to modernise the polyolefin complex at Buna and to build a pipeline from the east German northern port of Rostock. This line will ship gas sold by Gazprom, the Russian state-owned utilities company, to Buna. Treuhand officials said that, under the terms of the letter of intent, majority

control of the Buna complex's equity would pass to Dow over a period of time. The Treuhand would retain a 49 per cent stake for several years. Dow would eventually acquire 76 per cent of Buna's equity, with Gazprom taking the rest. Buna is this year expected to have a turnover of DM600m and losses of about DM300m. However, Treuhand officials said Buna could move into the black in four years and the investments would be completed by the end of the decade. Dow's entry into the east German

chemical sector is part of its longer-term strategy of expanding in Germany and in eastern Europe. "We are looking at Europe as a whole. We are looking for opportunities. These exist particularly in this part of Europe," a Dow official said. Dow's turnover in Europe totalled \$4.8bn last year. Dow already has a plastic foam insulation manufacturing plant in Balaton, Hungary. After buying into a joint venture with Nitrokemia and Chemolimpex, two state-owned Hungarian companies in 1991, it acquired a 100 per cent stake in 1992.

Compromise insider candidate selected

Bank of Italy wins battle over naming of director-general

By Robert Graham in Rome

The Berlusconi government backed down yesterday in its long-running dispute with the Bank of Italy over the nomination of a new director-general - deputy to the governor - from within the bank. The central bank has fought with the right-wing coalition to ensure that an insider replaced Mr Lamberto Dini, who left the bank's second highest job to become treasury minister in May. The government had sought to bring in an outsider, arguing the bank needed new blood. This was seen both within the bank and outside as an attempt by the executive to exert greater control over the bank, especially regarding interest rates policy. Yesterday the bank's governing council named as a replacement Mr Vincenzo Desario, the junior of the two deputy directors who form part of the four-man executive directorate of the Bank of Italy. Mr Desario, 61, is a compromise candidate chosen over Mr Tommaso Padoa-Schioppa, the senior deputy director, technically the first in line for the job but vetoed by the government as being too close to the former Ciampi

administration. The bank stressed its appreciation yesterday of Mr Padoa-Schioppa. The Desario appointment was to be approved by President Oscar Luigi Scalfaro and the cabinet. Bank officials yesterday pointed out that an appointment proposed by the governing council, composed of chairmen of the bank's regional offices, had never been turned down. Market analysts expressed relief that the row had been

resolved in a way that ensured Mr Antonio Fazio's authority as governor. They said the independence of the central bank was especially important while the government was pressing for an early lowering of interest rates, which may not be justified by the 1995 budget. If the government climbs down as expected and accepts Mr Desario, it still leaves unresolved the issue of his successor. The governing council yesterday avoided discussion of filling the fourth place on the directorate. The government is considered unlikely to take this defeat easily and yesterday Mr Antonio Parlato, junior minister at the Treasury for the neo-Fascist MSI/National Alliance, said legislation to change the bank's statutes would shortly be placed before parliament. The opposition welcomed the outcome. The former communist Party of the Democratic Left (PDS) said: "The government has been unable to impose its line, while the Bank of Italy in the midst of hundreds of difficulties has managed to defend its autonomy and mark a point in its favour."



N Korea-US deal eases fears

Breakthrough will end suspicions of bomb development

By John Burton in Seoul and Frances Williams in Geneva

International fears over North Korea's suspected nuclear weapons programme abated yesterday in the wake of a deal that will open the country to inspections and improve ties with the US. The agreement is a sign that Mr Kim Jong-il, the new North Korean leader, is prepared to broaden his country's international contacts. It also raised hopes that he will accelerate the opening of the country to foreign investment.

Mr Han Sung-woo, the South Korean foreign minister, said the agreement "goes a long way" to removing a potential North Korean nuclear threat. A US State Department spokesman said: "What we've got is an agreement that made a very dangerous place in the world at a very dangerous moment a lot safer." Mr Robert Gallucci, head of the US delegation in the tortuous negotiation, announced a breakthrough in talks with North Korean officials in Geneva at midnight on Monday. Chief negotiators made clear that

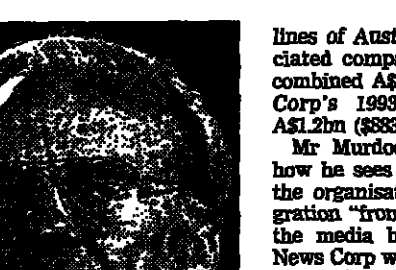
although the agreement had to be approved by their governments, they were confident it would be signed on Friday as scheduled. Mr Kang Sok-ju, North Korea's first deputy foreign minister and head of the delegation to the Geneva talks, said the planned replacement of North Korea's existing graphite-moderated nuclear reactor programme with light-water reactor technology would "completely eliminate and dispel" suspicions about Pyongyang.

Continued on Page 16

Murdoch hopes BSkyB float will net \$1bn for News Corp

By Emilia Tagaza in Adelaide and Raymond Snoddy in London

Mr Rupert Murdoch, chairman of News Corporation, said yesterday he hoped that a flotation of British Sky Broadcasting within the next few weeks could lead to an early cash injection of \$1bn (\$825m) into News Corp. The remark at the company's annual meeting in Adelaide suggested that Mr Murdoch thinks the flotation could value the satellite broadcaster at \$10bn or \$5.25bn - the highest figure so far suggested publicly. Most analysts expected the sell-off to value the company at \$4bn-\$5bn. News Corp at present owns 50 per cent of BSkyB.



In remarks made from notes rather than a prepared text, Mr Murdoch said: "If one is to believe the expectations of the analysts and the valuations that have been put on the proposed reduction from 50 per cent to 40 per cent of our shareholding, it will see a strengthening (that is contingent on a lot of issues and if forecasts are correct) of the News Corporation balance sheet by the injection of another US\$1bn in cash."

A pathfinder document preparing the way for the flotation is expected next month, with mid-December the likely date for the flotation of BSkyB, in which Pearson, owner of the Financial Times, has a 17.5 per cent stake. Mr Murdoch said he very much hoped, markets permitting, that the sale could take place within the next few weeks or by January 1995 at the latest. Analysts believe that if a December deadline is missed the next realistic date would be March. The News Corp chairman conceded that most of his established businesses, although extremely active, had not increased profits in the past 12 months. The big growth had come from investments in two partnership companies - BSkyB, which recorded a 170 per cent rise in operating profits in the year to end June, and Ansett air-

Business Units

NOW from only

£1.95

sq ft

The cost of expanding or starting your own business is now even more affordable in Mid Wales.

- We've got quality modern premises from 200 to 10,000 sq ft, starting from only £7.95* per week
- Plus a unique package of financial and business assistance
- Factories for sale and greenfield sites for larger projects too!

FOR FURTHER DETAILS FREEPHONE
0800 269300

Or complete the coupon below and send to:
Development Board For Rural Wales, Ladywell House, Newtown, Powys, SY16 1JB.

Rural Wales
THE BRITISH BUSINESS PARK

NAME	POSITION
COMPANY	
ADDRESS	
POSTCODE	
TELEPHONE	
I'm interested in premises of: 750+ sq ft <input type="checkbox"/> 1,500+ sq ft <input type="checkbox"/> 10,000 sq ft <input type="checkbox"/>	
My company manufactures/supplies	

NEWS: EUROPE

Spanish financier held on fraud charges

By Tom Burns in Madrid

Mr Javier de la Rosa, one of Spain's richest and best known businessmen, was yesterday detained pending formal charges in Barcelona, prompting speculation that his arrest on charges of fraud could prompt an Italian-style political fallout.

Earlier Mr de la Rosa, who was at the centre of major deals during the booming late 1980s in Spain, had defiantly threatened those seeking his downfall. "Everyone had better be prepared to take their share of

responsibility," he told a radio interviewer. "Those who have put this process in motion haven't a clue what the consequences could be."

Meanwhile in Madrid, Mr Mario Conde, removed as chairman of Banesto, the big domestic retail bank, by the Bank of Spain at the end of last year, was questioned yesterday by the chief investigative judge dealing with fiscal offences over alleged bribes paid by the bank in order to obtain tax breaks.

Mr Conde faces several investigations following the move by the Bank

of Spain, which believed he had brought Banesto close to collapse.

Mr de la Rosa is accused of misappropriation of public funds in connection with credits, guaranteed by Catalonia's Generalitat government, that were granted to his loss-making holding company Gran Tíbidabo.

He is best known for spearheading large investments in Spain by the Kuwait Investment Office and is being separately sued by the office over losses that forced the Spanish companies it controlled into receivership two years ago.

His arrest has already prompted opposition calls for the resignation of senior members of the Generalitat which had recently blocked an investigation by Catalonia's regional parliament into Mr de la Rosa's affairs.

The development is very embarrassing for Mr Jordi Pujol, the Catalan nationalist leader and Generalitat president, who has consistently backed Mr de la Rosa. The political consequences could extend also to Mr Felipe González's government in Madrid which depends on the support of Mr Pujol and the

Catalan nationalists to stay in power. Mr González yesterday distanced himself from the events, saying he did not intend to "lose any sleep" over Mr de la Rosa's arrest. Referring to the fortunes that were made in Spain in the late 1980s, the prime minister said the times of a "speculative" economy were over.

Conservative opposition leader Mr José María Aznar said that Mr González, in power since 1982, had "sown the seeds of corruption" and that the prime minister would be forced to "reap the harvest".

Balladur tries to restore cabinet calm

By John Riddling in Paris

Mr Edouard Balladur, the French prime minister, yesterday sought to defuse factional disputes within his government which threaten the chances of the right in next year's presidential elections.

The divisions in the centre-right coalition have been fuelled by the undeclared contest between Mr Balladur and Mr Jacques Chirac, leader of the Gaullist RPR party, for the conservative candidacy in the presidential polls.

Mr Balladur met Mr Alain Juppé, foreign minister, and Mr Charles Pasqua, interior minister, yesterday to urge the maintenance of government unity. Last week, the two ministers clashed when Mr Juppé, a strong supporter of Mr Chirac, rejected Mr Pasqua's proposal for primary elections to select a single conservative candidate for the presidential elections.

Mr Pasqua responded by suggesting that Mr Juppé should leave the government, claiming that the foreign minister's membership of a support committee for Mr Chirac was incompatible with his position in the cabinet. Mr François Léotard, defence minister and a Balladur supporter, has also been at odds with Mr Juppé following the defence minister's remarks that US policy towards Iraq was motivated by domestic political considerations.

After meeting the prime min-

ister, Mr Juppé said he was "staggered by the deterioration of the political climate", but denied having breached cabinet solidarity.

Mr Balladur is seeking to delay campaigning for next year's presidential poll until January, partly because of his own interest in silencing Chirac supporters. He has also written to Mr Chirac and Mr Valéry Giscard d'Estaing, leader of the UDF, junior partner in the RPR-UDF coalition, calling for a meeting to discuss a political ceasefire.

The increasingly public disputes between cabinet members has further unsettled a government shaken by two resignations in the past three months. Mr Alain Carignon, communications minister, and Mr Gérard Longuet, industry minister, stepped down following corruption allegations.

The various setbacks have highlighted the potential threat to the right from Mr Jacques Delors, the European Commission president and a possible Socialist presidential candidate. Mr Delors has said he will not make a decision on his candidacy until the beginning of next year, but he has closed the gap with Mr Balladur in recent opinion polls.

An IFOP poll published yesterday showed that Mr Delors had gained five percentage points to close within four points of Mr Balladur in a survey of voting intentions for the second and decisive round of the presidential elections.

Personality clashes mark Italian bank battle

Robert Graham in Rome charts the course of a bitter five-month wrangle that has inflicted deep wounds on both sides

The conflict between Mr Silvio Berlusconi's government and the Bank of Italy over nominating a new director-general for the central bank has left only losers. The dispute was resolved yesterday with the naming of Mr Vincenzo Desario, the junior of the two deputy directors, to take over the second most important post in the Bank of Italy. But the wounds run so deep on both sides they may not heal within the life of the current administration.

The five-month long wrangle over the appointment - with the issue of the bank's autonomy at stake - has also damaged Italy's credibility in the financial markets. When a European government falls out with the central bank over the composition of the latter's key directorate, it looks as though serious differences of economic and monetary policy are at issue.

These differences do exist. In an economy experiencing a strong recovery and with a huge public debt, the Berlusconi government wants inter-

est rates to fall; the Bank of Italy is concerned to protect the currency and hold down inflation. The government was critical of a decision by Mr Antonio Fazio, the governor, to raise the discount rate in mid-August by half a percentage point, and was furious he observed his governor's charter to the letter, informing of the move only when it was decided.

However, conflicts of personality have played a big role in this case as Mr Fazio has fought to preserve the bank's autonomy with the choice of an internal candidate.

The seeds of disagreement were sown in April 1993 when Mr Carlo Azeglio Ciampi agreed to leave the governorship of the bank to become prime minister. Having been governor since 1979, he had clear ideas about the succession, choosing Mr Fazio, then the senior of the two deputy directors. Mr Lamberto Dini,

director-general and the natural hierarchical choice, was overlooked.

No explanation was ever given for ignoring Mr Dini, who was a better known international central banker. But within the bank and among Italy's banking community, it was no secret that Mr Ciampi and Mr Dini had an awkward relationship. Mr Dini was considered too close to the old Christian Democrat party, including former premier Giulio Andreotti, whose contact with Mr Ciampi was frosty at best.

The governor and the three other members of the Bank's executive directorate are appointed by the body's governing council (composed of the bank's regional office chairmen). They are then confirmed by the head of state in consultation with the government which formalises the appointments. Mr Fazio was appointed rapidly because of

Mr Ciampi's unique position as a former governor and because of his and Mr Fazio's close understanding with President Oscar Luigi Scalfaro.

The situation was more complex when Mr Dini became treasury minister in May. He was anxious to have a say in his successor and he was now in an equal if not more powerful role than the man promoted over him a year previously.

Mr Berlusconi, the premier, and his ministers could have won sympathy if the appointment had been placed in the context of a much-needed debate on introducing a new institution that had become too complacent and inward-looking. Unfortunately, there was no debate, only sniping conducted in the spirit of a vendetta.

This immediately took the form of a veto on Mr Tommaso Padoa Schioppa, technically the next in line as senior deputy-director and a highly respected central banker, who had played an important part in pre-Maastricht work on monetary union. However, he was seen as one of the "Ciampi boys" - closely linked to the former governor and premier - and whose crime in the eyes of the new government was to have identified too much with the left.

The government advanced several outside candidates - Mr Rainer Masera, head of Imi, the state-run financial institution being privatised, Mr Mario Draghi, the brilliant director-general of the Treasury, and latterly Mr Paolo Savona, a banker and former industry minister in the Ciampi government. But Mr Fazio insisted the appointment come from within the bank.

As early as July, the governor suggested Mr Desario, promoted by Mr Fazio in 1993 to become the fourth member of the directorate, as a compromise candidate. But the standoff has lasted until now, aggravated by individual members of the right-wing coalition conducting a smear campaign against the Bank of Italy.

The government climb-down is partly the result of pressure from leading members of Confindustria, the industrialists' confederation, who have argued the dispute was damaging Italy's international credibility. Equally, Mr Berlusconi may well have recognised the conflict is an unnecessary diversion from securing safe passage for the 1995 budget.

Central bank warns on outlook for inflation next year

Sweden set for big rise in budget deficit

By Hugh Carnegie in Stockholm

The fragile state of Sweden's economy was underscored yesterday when the government announced a much bigger than expected budget deficit, threatening growth prospects. The central bank also warned that price rise expectations in 1995 exceeded its target ceiling of 3 per cent inflation.

The finance ministry said the budget deficit in the current 1994-95 fiscal year would be SKr201bn (\$27.5bn), well above the SKr150bn previously forecast and likely to be around last year's record equivalent of 13 per cent of gross national product. The ministry blamed increased borrowing costs, saying the rise in interest rates since the spring would add SKr10bn to the deficit.

Mr Göran Persson, the new Social Democratic finance minister, said more cuts in public spending were now probable in

January's budget beyond those already being implemented and the fiscal measures he was due to introduce early next month. Next month's package would reflect his plan, outlined during the campaign for last month's general election, for spending cuts and tax increases to strengthen the budget by SKr61bn over four years.

Mr Persson acknowledged the threat which the crisis in the public finances now poses to Sweden's slow recovery from three years of recession. He said a new round of spending cuts in January would have a negative effect on growth. Already, earlier forecasts of 3 per cent GNP growth in 1995 have been downgraded to 2 per cent or less.

"Growth will be affected if we put in place a heavy squeeze... to correct the state finances. But I am worried about pressing down consumption too low. We need an economic upturn," Mr Persson said.

To add to his difficulties, the Riksbank said yesterday that inflationary pressure in the economy was on the rise because of increasing producer prices - prompted by the heavy fall in the value of the krona last year - and historically high levels of capacity utilisation in industry.

The bank said inflation expectations next year in industry and the financial sector exceeded the upper limit of the Riksbank's "price stability target" of 3 per cent. The same appeared to be true in the labour market, it added.

The bank issued an implicit warning that short-term interest rates - which it raised at the end of the summer - might have to rise again to check inflation unless the government restored market confidence in the public finances. That in turn would also squeeze growth and push up the budget deficit further.

Estonia's missing bow door located

By Hugh Carnegie

The missing bow section of the ferry Estonia, which sank in the Baltic Sea last month with the loss of 900 lives, was found yesterday lying in 76m of water about 2km west of the wrecked ship.

The joint Estonian-Finnish-Swedish investigation team is anxious to inspect the visor-like outer bow door, which caused the Estonia to capsize and founder when it was torn off in a storm off the south west coast of Finland during an overnight voyage from Tallinn to Stockholm.

Evidence from video camera inspections of the wreck has shown that all three locks designed to hold the 55-tonne bow section in place had broken. Investigators believe the bow section smashed against the hull and inner vehicle deck door before it broke away, allowing water to enter the vehicle deck, causing the ship to sink.

They believe it took only 15 or 20 minutes before the Estonia, jointly operated by Estonian and Swedish shipping companies, rolled on its side and began to sink.

The bow section will now be surveyed with video cameras in an effort to find further evidence of why the locks failed. The inquiry team will also hope to salvage the bow section so they can investigate whether metal fatigue was to blame. The Swedish government is considering salvaging the main wreck, but experts say such a complex and costly operation could not be done until the spring.

So far there has been no definite evidence of human error causing the bow doors to fail. Surviving crew members have told investigators the inner bow door, which should have proved watertight, had been closed. But they said they could not judge whether the ship had been sailing too fast for the conditions, as some witnesses have suggested.

The International Maritime Organisation wants a complete review of the design of roll-on-roll-off ferries.



Queen Elizabeth II, on the first full day of an historic visit to Russia, tours Moscow's Red Square yesterday with the city's mayor, Mr Yuri Luzhkov

Brittan in struggle over E Europe portfolio

By Lionel Barber in Brussels

Sir Leon Brittan, chief EU trade negotiator, is fighting an uphill battle to keep control of relations with central and eastern Europe in the new European Commission, Brussels diplomats said yesterday.

With a French-led campaign to cut Sir Leon down to size apparently making headway, the senior British commissioner is planning hopes of preserving his bureaucratic empire on Chancellor Helmut Kohl of Germany.

Sir Leon's camp welcomed Mr Kohl's election victory this week, on the grounds that the German leader will prefer a free-trader committed to early

enlargement of the EU to the emerging democracies of central Europe. The British hope he will pass on the message to Mr Jacques Santer, who takes over as Commission president next January from Mr Jacques Delors.

But UK officials remain worried that Mr Kohl may tip support to France, whose senior incoming commissioner - Mrs Edith Cresson - is said to have expressed interest in the eastern European dossier (which also includes Russia and the former Soviet republics).

Handling relations with central and eastern Europe is rated as the plum job in the

new five-year Commission headed by Mr Santer. One of its chief tasks will be to lay the groundwork for the entry of Poland, the Czech republic and Hungary, and possibly Slovakia and Slovenia, into the EU around the turn of the century - a daunting challenge but also one with a guaranteed high political profile.

Sir Leon's credentials rest mainly on his role in the successful conclusion of the Uruguay Round of global trade liberalisation and his successful lobbying for more generous EU market access for central and east European exporters.

But Mr Santer's problem is that he does not have enough good jobs to share around in

the next Commission, which will expand from 17 to 21 commissioners, assuming Sweden and Norway join Austria and Finland in supporting membership in referendums next month.

Mr Santer will attempt to reach agreement among his new colleagues on a share-out of portfolios at a meeting in Luxembourg at the end of the month.

Already, the session is being billed as a test of his grip on his new colleagues and his clout with member states.

Responsibility for the external relations portfolio is currently shared between three Commissioners: Sir Leon, Mr Hans van den Broek, the former

Dutch foreign minister who handles political affairs, and Mr Manuel Marin, the long-serving senior Spanish commissioner, who is responsible for development aid, Latin America and most of the Mediterranean.

The carve-up is dogged by inefficiencies, overlap and personal rivalry.

Mr Marin is understood to have won control of Latin America and expanding responsibility in the Mediterranean, in exchange for yielding the dossier relating to the Lomé convention, the trade arrangement with 60 African, Caribbean and poorer Pacific countries, mainly former European colonies.

Now available on Club Europe,
76,498 feet of legroom.

THAT'S WHAT YOU GET WHEN YOU ADD UP ALL THE ROOM IN OUR NEW NETWORK OF 14 CLUB EUROPE DEPARTURE LOUNGES. IT'S SUM SPACE.

BRITISH AIRWAYS
The world's favourite airline

EUROPEAN NEWS DIGEST

French groups give pledge on illegal pay-offs

France's main public works companies - with the exception of one of the largest, Bouygues - have forewarned using illegal payments to win contracts or orders. In an attempt to restore public confidence in their sector, the initiative of their trade association, the companies, which include subsidiaries of Lyonnaise des Eaux, Compagnie Générale des Eaux and the Schneider engineering group, have signed a pledge that they will obey the law on corporate contributions to political parties and candidates.

Bouygues, which happens to have figured less in recent corruption allegations, yesterday questioned the need for such a pledge with its implication of possible past wrongdoing. Meanwhile, Alcatel CIT yesterday described as "absurd" a reported estimate by an investigating magistrate that the telecommunications company had in fact overcharged France Télécom for equipment by up to FF2bn, way in excess of the FF2.6bn which Alcatel recently paid the telephone utility in an agreed settlement. *David Buchan, Paris*

Dutch insider trading move

Mr Joep van den Nieuwenhuijzen, chairman of the Dutch engineering group Begemann, said yesterday that he was stepping down temporarily while he pursued an appeal against his conviction for insider trading. Mr van den Nieuwenhuijzen, the first person in the Netherlands to be found guilty of insider trading, said he was vacating the top job in favour of Mr Andre Deleve. On Monday, Mr van den Nieuwenhuijzen was sentenced to six months in jail, with three months suspended, and fined Fl 100,000 (€26,900) for insider trading in the shares of HCS, a now bankrupt computer company. He is free pending his appeal.

In 1991, Mr van den Nieuwenhuijzen, one of HCS's main shareholders, sold 4.1m shares in the company the morning after he attended a meeting with bankers and other big shareholders to discuss a rescue plan. He had acknowledged "share orchestration" but denied insider trading. His appeal to the supreme court could take a year or a longer. Mr van den Nieuwenhuijzen's conviction on Monday reversed his acquittal by a lower court in April. *Ronald van de Krol, Amsterdam*

Macedonian polls confusion

The muddle over results in the first round of Macedonia's presidential and parliamentary elections, still unresolved more than 48 hours after the polls closed, is creating confusion among voters and increasing anger in opposition political parties. The electoral commission, headed by a constitutional court judge, which supervised Sunday's presidential and parliamentary vote, yesterday cited "technical difficulties" for not being able to announce results from as many as 83 out of 120 constituencies in the former Yugoslav republic.

According to unofficial returns, President Kiro Gligorov, seeking re-election through a direct vote, held a commanding lead over his nationalist challenger, Mr Ljubisha Georgievski, while the governing Alliance for Macedonia claimed its candidates were ahead in more than half the constituencies. But the prolonged delay in producing official results is likely to reduce support for the Alliance at the second round of elections on October 30. Both the main opposition Internal Macedonian Revolutionary Organisation, the hardline nationalist party, and the free-market nationalist Democratic party set up last year have complained of ballot box fraud and are threatening to boycott the second round of the elections. *Kerin Hope, Athens*

Eko Stahl may get less cash

Germany's Treuhand privatisation agency and the economics ministry may be forced to reduce by DM250m (€103m) the planned DM1.2bn rescue package for Eko Stahl, eastern Germany's steel mill, European Commission officials said yesterday. But any reduction of subsidies could throw into jeopardy the sale of the plant to Cockerill-Sambre, the Belgian steel producer, which has agreed in principle to buy for DM30m a 60 per cent stake in Eko Stahl. It also intends to invest DM440m in modernising the steel mill's existing blast furnace and building a new hot-rolling mill. Cockerill yesterday said "it would not take Eko Stahl at any price", adding that the agreement to buy a stake in the mill was linked to the large rescue package. "It is up to the Treuhand to negotiate with the European Commission," it said. If Cockerill is not prepared to renegotiate the rescue package, the Treuhand might allow it to buy the remaining 40 per cent stake for a token DM1 in order to make up for any reduction in the rescue package. *Judy Dempsey, Berlin*

Turkish privatisation advance

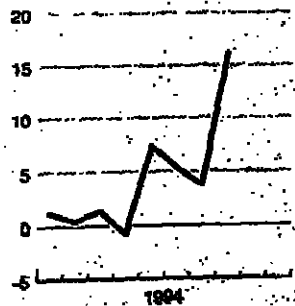
Mrs Tansu Ciller, Turkish prime minister, has convinced her cabinet's biggest opponent of privatisation to back a draft framework law on state asset sales, significantly increasing the chances that parliament will enact it. Mr Muntaz Soyas, foreign minister, a member of her coalition government's junior partner, the Social Democratic party, signed the draft law on Monday night after obstructing privatisation for months. He demanded that Mrs Ciller adopt a political liberalisation package before backing privatisation. Earlier this year he won a constitutional court appeal against her plan to impose privatisation by decree. The government still hopes to raise \$1bn this year from privatisation and a further \$9bn-\$12bn next year. The state telephone and electricity utilities as well as five banks, the national airline, manufacturing and oil refining businesses are to be sold. State companies lost \$5.6bn last year. Privatisation is a key feature of a wider World Bank-supported public sector reform programme aimed at tackling the main causes of the government's big budget deficits and Turkey's high inflation. *John Barham, Ankara*

ECONOMIC WATCH

Italian industrial output surges

Italy: Industrial production

Annual % change, NSA



Source: Destatrom

Italian industrial production surged during the normally static month of August, rising 16 per cent on the same period in 1993. However, the August figures are not considered truly comparative because of the adoption of more staggered holiday closures by factories during the summer holidays this year. The rise in industrial production lifted the increase in the first eight months to 3.7 per cent over the same period last year, according to Istat, the national statistics institute. The most spectacular increase has been the 145 per cent jump in car production over 1993, reversing the decline that set in three years ago. Other sectors growing fast are electrical goods (up 41 per cent), shoe manufacture (up 36 per cent) and plastics (up 34 per cent). *Robert Graham, Rome*

Poland's industrial output (unadjusted) rose 3.5 per cent in September and was 18.7 per cent higher than in September 1993, the central statistical office said.

Switzerland recorded a trade surplus of Sfr169.1m (€34.5m) in September after a revised deficit of Sfr288.7m in August, the federal customs office said.

Finnish industry's producer price index rose 0.2 per cent month-on-month in September and the year-on-year rise was 2.1 per cent, Statistics Finland said.

Kohl pressed on plans for spending cuts

By Andrew Fisher in Frankfurt

Germany's newly re-elected government came under strong pressure yesterday from industry and the Bundesbank to stick to its plans for spending cuts and take strong action to reform the costly social welfare system.

"The burden of the welfare state will crush us if we fail to act," said Mr Klaus Murrmann, president of the German Employers' Federation. The steadily growing system of

social benefits could no longer be financed in its present form - "our main demand to the government and parliament is, therefore, to restructure the welfare state."

Mr Murrmann said Germany's competitiveness had to be improved by reducing social security costs. He said total social expenditure - on sickness and accident insurance, pensions, unemployment and welfare benefits - was DM1,060bn (€434.4bn) in 1993, 50 per cent more than Ger-

many's capital investment. In 1970, they had been roughly equal at some DM170bn.

His proposals included a reduction in initial sickness pay and review of the pension system. Social insurance should be for the needy and people should be more prepared to make their own provision rather than relying on the state.

Mr Hans Tietmeyer, president of the Bundesbank, warned the government against relying on the accel-

erating upturn in the economy to solve the country's long-term problems. "The structural crisis of the German economy will take time to overcome. It will not be solved by the economic recovery."

Mr Tietmeyer did not mention the election result but it was clear both he and Mr Murrmann were anxious that the narrowness of the government's majority might deter it from tough measures. The Free Democrats, the junior coalition party, won fewer seats in the

Bundestag, the lower house of parliament, while the opposition Social Democrats lifted their majority in the Bundestag, the upper house, which can delay legislation.

One of Mr Tietmeyer's main concerns is that too much federal borrowing could push up interest rates on the bond market. He warned against a "crowding out" situation - in which heavy demand for funds pushes up rates - at a time of incipient economic recovery.

Too much of the govern-

ment's efforts to curb the budget deficit had concentrated on raising taxes and welfare contributions, he said. More effort should be devoted to cuts in spending.

A further salvo towards Bonn was fired by Mr Edzard Reuter, chairman of Daimler-Benz, Germany's largest industrial company. He said the government should find the courage to tell people of the need to tackle "a pile of unpopular tasks", including plans to reduce spending.

Greens set to help shape the German agenda

The Greens are back - and not just by the skin of their teeth but, with 49 seats, as the third strongest party in Germany's federal parliament.

That gives the left-wing environmentalists the right to appoint one of the parliament's four deputy speakers and gives them access to other committees which shape the parliamentary agenda.

They celebrated longer than anybody else on Sunday night but were yesterday holed up in a hotel outside Bonn reviewing their strategy for the next four years, sure they will be able to build on their success.

"I think you'll see us winning the sort of support that we got in the European elections next time round," said Ms Anne Nilges, the party spokeswoman, referring to the result

Michael Lindemann charts the radicals' return to parliament

in June when the party won 10.1 per cent of the vote.

Four years ago the Greens scored just 3.8 per cent. They lost voters to the Social Democratic party which had shifted leftwards and they lost their 44 seats in the Bundestag, the lower house of parliament.

Other parties have meanwhile taken up many of the environmental policies mooted by the Greens, but the party says it will remain on the environmental offensive and can turn environmental concerns that stretch across German society into more votes at the next election.

The Greens will work together with the SPD, with whom they had hoped to form a so-called red-green coalition

government, but have few fears of having the ground stolen from beneath them. "The SPD is much more likely to move to the right as it tries to become the ruling party," Ms Nilges said.

Mr Joschka Fischer, the former environment minister in the state of Hesse who hopes to become one of the two leaders of the parliamentary party, set the tone for the new party when he faced the cameras on Sunday night after the election.

He first saw action in the Bundestag 10 years ago when he was scrupulously dressed and wore trainers. Ten years ago to the day he was expelled from parliament for rowdy behaviour and on leaving called the acting

speaker of the Bundestag an "arse-hole".

Mr Fischer now wears a tie, but it is still poorly knotted and his top button is still undone.

The party now faces competition of a different sort. The party of Democratic Socialism, the renamed east German communist party, has no impressive environmental credentials but it has proved that it can steal radical votes from the Greens.

Four years ago just 0.3 per cent of west German voters backed the PDS. This time 0.9 per cent plumped for PDS in the west, many of them one-time Green voters who were disappointed that the Greens were ready to tone down their revolutionary agenda

to form a coalition with the SPD.

The Greens appear to have made decisive inroads into the support of the Free Democratic party, the small liberal coalition partner of Chancellor Helmut Kohl's Christian Democratic Union.

The Greens also won seats in the state parliament in the Saarland, the small south-western state, and were able to bolster their presence in councils across North Rhine-Westphalia, Germany's most populous state, where their share of the vote jumped from 7.3 per cent to 10.2 per cent.

The Greens' biggest problem remains eastern Germany where it picked up just 5 per cent of the vote. It has been unable to get its environmental message across to people who, leading Greens admit, have more everyday concerns.

"I'm arriving tonight and I have no time to pack. How much do I have to bring?"



How much would you like to bring? Our valets can press your suit, or a week's worth of them, within an hour. Our spacious guest rooms offer you hairdryers and thick bathrobes; our health clubs, gear from running shorts to aerobics shoes. And our 24-hour concierges are poised to provide anything you intended to bring, but didn't—from a sales presentation on a disk, to a best-seller. Hard cover or audiotape. In these value-conscious times, the demands of business demand nothing less. For reservations, please phone your travel counsellor or call Four Seasons Hotels toll free.

FOUR SEASONS HOTELS

FOUR SEASONS • RESORTS
HOTELS AND RESORTS

Four Seasons • Regent. Defining the art of service at 40 hotels in 19 countries.

NEWS: INTERNATIONAL

NTT in row over use of network

By Michio Nakamoto in Tokyo

A private Japanese telecommunications carrier has asked the country's regulatory authorities to intervene in what has become an unusually public row with NTT, the former public utility, over use of its local network.

Japan Telecom, the country's third largest long-distance carrier, yesterday asked the minister of posts and telecommunications to order NTT to make its local network available for high-speed data services. Japan Telecom is seeking to offer.

The appeal, which highlights the increasingly competitive market environment in Japan, could strengthen the argument for breaking up NTT (last week listed on the London Stock Exchange) into separate long-distance and local operations.

NTT has been accused by critics of using its local network monopoly to impede competition in the long-distance network. Japan Telecom said it had been in talks with NTT for two years in an attempt to link its long-distance network with NTT's local network, to provide frame relay services letting users cut the cost of sending data down phone lines.

As a long-distance carrier, Japan Telecom must use the local network dominated by NTT to provide such services. While talks between the two companies failed to bear fruit for Japan Telecom, NTT applied in July this year to offer frame relay services of its own. NTT, which on privatisation was allowed to retain both long-distance and local networks, faces a decision next year on whether it should be broken up or allowed to operate intact.

If the minister decides to order NTT to make its local network available to competitors, it will be the first time the authorities will have done so. NTT has two weeks to bring its case to the authorities. NTT said it was ready to continue talks.

US and Israel oppose \$1bn funding because of Tehran's alleged terrorist links

Japan under pressure on Iranian dam

By William Dawkins in Tokyo

Japan has come under pressure from the US and Israel to stop funding a \$1bn (920m) hydroelectric dam in Iran, because of claims that the Iranian government has terrorist links.

Japan's Foreign Ministry has been urged to decide against disbursing an overdue second \$460m tranche of a soft loan for the dam, over the Karun river, south of Tehran. It is the latest of four hydroelectric plants, an important part of efforts to update an inadequate power supply, the success of which is crucial to economic reforms.

Criticism of Japan's support for Iran risks embarrassing the Tokyo government, the world's largest aid donor, less than a month after its application for permanent membership of the United Nations Security Council. Japan has based its UN application on its credentials

as a supporter of humanitarian causes across the world.

Diplomatic pressure to stop helping Iran has built up in recent weeks because the Foreign Ministry is nearing a decision, yet to start. The Japanese government's approval for the Karun project last year marked a controversial end, against US opposition, to a 17-year suspension of Japanese aid to Iran.

Japan's Foreign Ministry hinted that official loans would be withdrawn if it found conclusive evidence that Tehran supported terrorism, built nuclear weapons or expanded its military

This is among several subjects on which Japan has started recently to sketch out a foreign policy line independent of Washington.

Last year's U-turn in Tokyo's Iranian policy, influenced by Mr Kunihiro Saito, the foreign ministry's bureaucratic chief and a former ambassador to Iran, is intended to support moderate elements in the Teh-

ran government. This will help political stability in the Gulf region, on which Japan depends for more than half its oil supplies, argue the ministry's Middle East experts. Iran alone provides a mere 8.4 per cent of Japanese oil.

Critics of Japan's support for Iran, including some sections in the ministry itself, argue that it produces the opposite effect to that intended. They maintain that President Ali Akbar Hashemi Rafsanjani, Iran's pragmatic president, is aware of and unalarmed by CIA reports showing Iranian backing for the Hizbollah bomb attacks in Buenos Aires and London in July and claims by Mossad, Israeli intelligence, that aid to Iran is being diverted to Hamas, the extremist Islamic group.

Moreover, UK intelligence reports earlier this year demonstrated links between Tehran and the Irish Republican

Army, so arousing British concern over the possible diversion of Japanese aid.

Japan's Foreign Ministry is, however, sensitive to these allegations. It has at least once since restarting aid to Iran hinted that official loans would be withdrawn if it found conclusive evidence that Tehran supported terrorism, built nuclear weapons or expanded its military. Officials do not deny that the Iranian government's pragmatists and extreme religious groups are close to each other.

Against that, a ministry official points to encouragingly moderate recent statements from Tehran that it will not obstruct the Middle East peace process and that it has shifted its support for North over South Korea to neutrality between the two.

Whether or not to proceed with the loan remains under study, the official said.

Israel may now seek Golan lease-back

By Julian O'zanne in Jerusalem

Israel said yesterday its peace treaty with Jordan, involving exchange of land and lease-back deals, was a preferable model for peace with Syria to its 1979 accord with Egypt, whereby Israel returned all occupied territory.

In the Israel-Jordan peace treaty, initiated in Amman on Monday, Israel agreed to return to Jordan more than 300 square kilometres of occupied territory and to lease back and trade small parcels of other land to safeguard Israeli farmers working on areas claimed by Jordan.

King Hussein agreed to accept 30sq km of Israeli land in return for Jordanian territory being farmed by Israelis and to lease back at least a further 700 acres for 25 years with an option to renew.

Mr Shimon Peres, Israeli foreign minister, yesterday indicated that his government hoped this might set a precedent for peace talks with Syria over return of the Israeli-occupied Golan Heights, home to 14,000 Jewish settlers and



Jordanian prime minister Abdul-Salam al-Majali announcing the details of next week's treaty signing in Amman

many businesses. Mr Hafez al-Assad, the Syrian president, however, firmly ruled out such a possibility yesterday and criticised the Israeli-Jordanian agreement, saying Israel got

peace, land and public contacts without giving anything away.

President Assad, holding surprise talks with President Hosni Mubarak of Egypt, said Syria would never follow Jordan's example and rent part of its territory to Israelis.

Damascus also warned that only peace with Lebanon and Syria would bring stability to the Middle East.

More criticism against the Israeli-Jordanian agreement came yesterday from Palestinian radical groups based in Damascus. The Palestine Liberation Organisation also attacked the treaty's provision for a special role for Jordan as the guardian of Islamic holy sites in Arab East Jerusalem, saying it was a "flagrant violation" of the PLO-Israeli agreements and an attempt to legitimise occupation of the holy city.

The statement confirmed mounting PLO-Jordanian tension over the rival claims to Arab East Jerusalem.

In Israel, however, the treaty was received with near euphoria, especially by the business community. Israeli newspapers lauded the prime minister, Mr Yitzhak Rabin, as a great man and even ultra-right wing parties were full of praise for the agreement, which appeared to involve no significant Israeli

sacrifices. Mr Dan Proper, head of the Israeli Manufacturers' Association, said the move marked a "big swing forward" for Israel in trade with the world, access to foreign investment and participation in large infrastructure projects.

Tourism officials forecast large gains to both economies, with at least 1,000 tourists a day crossing between Israel and Jordan.

Arkia, a small airline company, announced it would start two flights a day between Amman and Tel Aviv and another company plans to offer a helicopter and limousine service for businessmen within days of next Wednesday's signing.

Plans were also unveiled yesterday for an Israeli-Jordanian joint venture to construct a giant tourism project in the Arava desert, with investors from Hong Kong, US, Singapore and financing from the World Bank. The first stage of the project, worth \$150m (99m), will be presented at the Casablanca Middle East economic conference which opens on October 31.

INTERNATIONAL NEWS DIGEST

Nigerian finance minister sacked

Nigeria's military government yesterday sacked the finance minister, Mr Kalu Idika Kalu, architect of the country's suspended economic liberalisation policy and leader of a lobby for deregulation. Mr Kalu's sacking was reported in the government-owned Daily Times newspaper. There was no official announcement and no reason given. No replacement has been named. His dismissal may be part of a reshuffle in which the ruler, General Sani Abacha, has fired senior military officers. In 1986, Mr Kalu negotiated with the World Bank and introduced stringent reforms, opening the way for new loans and debt rescheduling. He was a lone voice for free market policies in a civilian cabinet at first dominated by supporters of government regulation of the economy. He then became sidelined by the increased role of the military since Gen Abacha seized power last November. In January Mr Kalu had to present a 1994 budget that contradicted his own policy prescriptions and ended Nigeria's eight-year experiment with structural adjustment. *A.P. Lagos*

Camdessus pursues campaign

Mr Michel Camdessus, managing director of the International Monetary Fund, is pursuing a "quiet diplomacy" strategy in seeking to overcome Group of Seven opposition to his plan for the fund to provide more financial aid to developing countries, he said yesterday. In a briefing at the end of a four-day visit to Manila, Mr Camdessus said he remained "confident" that negotiations on the proposed assistance scheme "will come to a successful conclusion". He had proposed the IMF create \$100bn (65bn), that could be tapped for developing economies encountering serious external payments problems. The Camdessus proposal was rejected by the Group of Seven industrial nations at the IMF-World Bank meetings in Madrid early this month. *Jose Galang, Manila*

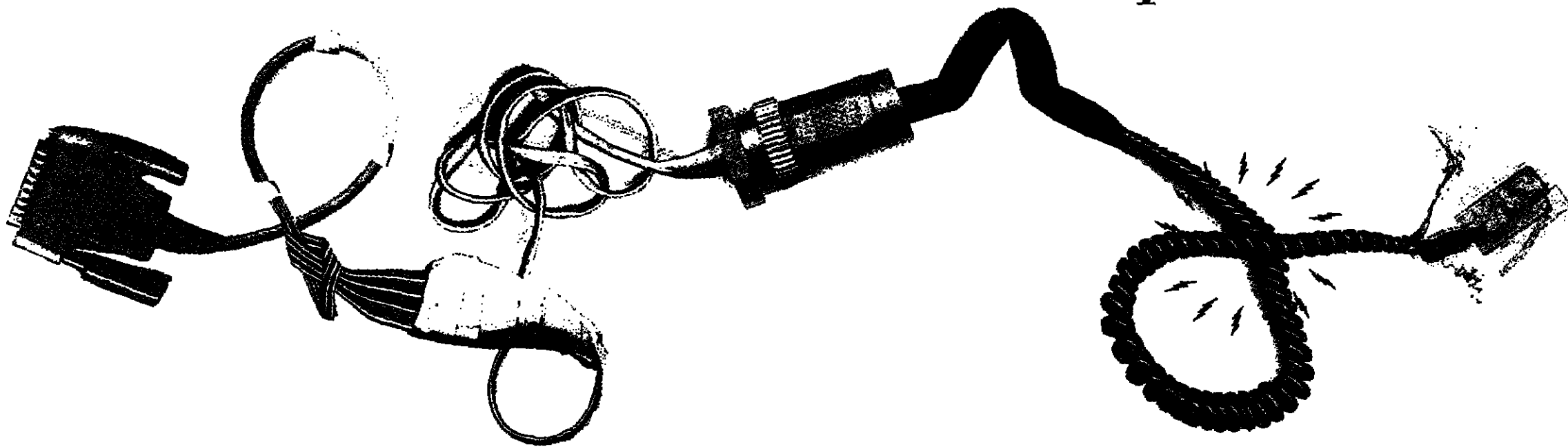
Japanese securities tax move

Mr Masayoshi Takemura, the Japanese finance minister, said yesterday he believes a proposed revision of the country's securities trading tax should be considered as part of an overall review of the securities tax system. Speaking in the Japanese parliament, Mr Takemura said a review would also cover a proposed increase in capital gains tax. But he said that a full review of the tax was unlikely before 1996. Alone among the leading international capital markets, Japan currently imposes a 0.3 per cent tax on all securities transactions. But in the last year, as equity trading has remained sluggish and foreign companies have de-listed from the Tokyo Stock Exchange, alarm has been expressed about the damage done by the tax to Japan's market. *Gerard Baker, Tokyo*

China courts foreign insurers

China has signalled that it wants to speed the entry of foreign companies into the country's rapidly-growing insurance market. Speedier consideration of applications for joint ventures involving foreign insurance companies is being actively sought by the People's Bank of China, which regulates the insurance industry. Mr Di Weping, deputy director of the bank's international department, told a conference in Hong Kong that, despite growing rapidly, China's insurance industry "cannot meet the needs of the country's economic development". For international insurance groups, the Chinese market offers potentially vast opportunities: between 1992 and 1993 income from premiums in China increased by more than 40 per cent. But only a handful of foreign insurance companies have made in-roads into the Chinese market. *Ralph Atkins, London*

Some companies say they're joining forces to make international network communications simple.



10/19/94

China and US to boost military ties

By Tony Walker in Beijing

Beijing and Washington have agreed to increase the frequency of their military consultations in a further sign of improving relations.

The move follows President Bill Clinton's decision earlier this year to sever the link between human rights issues and renewal of China's Most Favoured Nation trading status. Mr William Perry, US defence secretary, said in Beijing that the two sides would enhance their military contacts in a series of regular high-level briefings which would begin next month.

The US would lead the way in providing the Chinese with the briefings, he added. "Dialogue is in the security interests of both countries," Mr Perry told reporters after meeting China's prime minister, Mr Li Peng.

Washington has been pressing the Chinese military to become less secretive. "We pointed out that transparency can reduce the concern of China's neighbours that its modernisation programme could provide a threat," Mr Perry declared.

"It was very clear that we were not looking for secrets. It's strategy, budget and broad planning where we are looking for an exchange," Mr Perry said.

The US had also offered the Chinese data from computer simulations of its nuclear tests. The purpose had been to persuade the Chinese to stop carrying out tests. China drew protests from western governments on October 7 when it detonated a nuclear device at its Lop Nor test site.

Beijing has refused to join a Washington-sponsored moratorium on testing, but says it is committed to a comprehensive test ban when this comes into effect in 1996. Mr Perry made it clear his visit to China was aimed at improving day-to-day contacts, to offset fears of a deterioration in Sino-US relations, strained over such issues as human rights and arms proliferation.

"We are putting into place one dimension of the overall



US defence secretary William Perry speaking beneath a symbol of the People's Liberation Army in Beijing yesterday

policy of President Clinton's programme of broad constructive engagement with China," Mr Perry said.

Earlier, the US official had warned in a lecture to People's Liberation Army officers of the dangers of an arms race in Asia arising from a proliferation of nuclear weapons. Mr Perry called on China to exercise restraint in the transfer of nuclear technology. The US has long suspected that Beijing has been assisting Pakistan

develop a nuclear capability. "We are on the brink of a nuclear weapons race on the sub-continent, where relations between India and Pakistan have been tense for years," Mr Perry said. "As in Korea, China has a huge stake in this issue, since it involves nations on its border. With so much at stake, it is essential that countries with influence in South Asia try to stop the potential arms race before it gathers momentum."

Armstrong begins policy of openness

South Africa's state arms company, Armcor, under official scrutiny for a Middle East arms sales fiasco, said yesterday it would publish details of arms purchases for the first time, Reuters reports from Pretoria.

Armcor issued a written monthly bulletin of defence products sought by the South African military and listed the companies awarded contracts. "This is giving transparency to a critical aspect of the acquisition programme," said Mr Andre Buys, Armcor's planning division chief.

Companies approved to bid for defence contracts will also be able to have access to an electronic bulletin board updated daily with information on defence purchase requirements. The bulletin "will list all the major product and service requirements of the National Defence Force for which possible contract opportunities exist at both main and sub-contract level".

Armcor's chief executive, Mr Tielman de Waal, said the bulletins were also available to foreign defence contractors. The state-owned corporation said the lifting of international arms sanctions against post-apartheid South Africa made possible the new openness. Armcor's previous activities had been shrouded in secrecy to protect its often clandestine acquisition of foreign defence equipment.

The activities of Armcor, which licenses arms sales, came under fire this month when the sale of rifles and quantities of ammunition to a shadowy Lebanese arms merchant turned sour.

The justice minister, Mr Dullah Omar, appointed a three-man commission to investigate South African arms sales.

Asked if Armcor proposed the same sort of openness in weapons sales as it announced for its purchases, Mr Buys said South Africa was considering contributing to the UN register of world arms sales. "The whole question of arms control is being investigated."

A pact shaped in distrust

John Burton on the US-North Korea nuclear accord

When the US and North Korea sign their nuclear agreement on Friday, it will set in motion a train of events that could last almost a decade before the dispute is completely settled.

The goal is to remove suspicions about North Korea's nuclear programme while breaking Pyongyang's diplomatic isolation and providing it with much-needed economic aid in the form of new nuclear reactors and other energy supplies.

The accord consists of phased steps designed to provide each side with leverage to make sure that the other adheres to its promises. This reflects the deep mutual distrust which exists between the US and North Korea and which prevented an agreement being reached earlier.

Mr Han Sung-joo, the South Korean foreign minister, yesterday described the agreement as a combination of steps in an "incremental process".

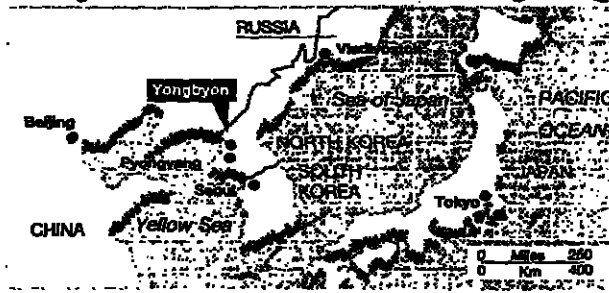
The elements of the deal, details of which will be announced on Friday, include North Korea abandoning its nuclear programme and accepting full international inspections of its nuclear facilities in return for improved ties with the US and economic aid. Pyongyang also promises to resume negotiations with South Korea on the implementation of their 1991 non-nuclear pact.

Many pitfalls lie along the way, with parts of the carefully calibrated timetable remaining unclear.

The first steps are likely in the next month or two. They include North Korea returning to the nuclear Non-Proliferation Treaty and accepting ad hoc and regular inspections at its Yongbyon nuclear complex from the International Atomic Energy Agency. North Korea threatened to withdraw from the NPT in March 1993 and later "suspended" its treaty obligations, which provoked its confrontation with the US and South Korea.

At the same time, North Korea will freeze its programme. This includes suspending the operation of its

Ten years of tit-for-tat and hard bargaining



1985 North Korea signs nuclear Non-Proliferation Treaty (NPT) but refuses to sign safeguards pact to allow International Atomic Energy Agency (IAEA) inspection.

1987 North, under mounting pressure, says it will allow inspection as soon as US begins removing nuclear weapons from South Korea; South declares there are no nuclear weapons on its soil; two Koreas agree to ban nuclear weapons and held talks to ensure compliance.

1988 North signs safeguards agreement; IAEA says after visit to Yongbyon complex that North is moving ahead with programme that could produce weapons-grade plutonium.

1989, Jan-May Talks between two Koreas on mutual inspections collapse; North says it will pull out of NPT; IAEA rules North has violated nuclear accords; UN Security Council calls on North to open sites; US and North agree to talk.

1990, June-Nov North agrees to suspend withdrawal from NPT and to renew talks with IAEA; inspectors report that access to two sites still restricted; North says it will not yield and is prepared to suffer sanctions or even war.

1994, Jan-May After further talks with US, North agrees to inspection of seven declared sites; South says North hampering inspectors at Yongbyon and US, saying confrontation could lead to war, walks out of meeting with South; US decides to deploy Patriot missiles in South; North invites inspectors to Yongbyon but rejects taking of samples.

1994, June-Oct US says it will seek UN sanctions and sends former President Jimmy Carter to negotiate with North's President Kim Il-sung; US agrees to talk with North in Geneva after Carter receives assurances from North; Kim dies but North soon agrees to continue talks with US; talks are difficult, but, after many weeks, agreement is reached.

Source: FT, Reuters

SMW graphite reactor and halting construction of two larger 50MW and 200MW reactors, which can produce considerable amounts of weapons-grade plutonium. It will also close its suspected nuclear reprocessing centre. All these facilities are later to be dismantled.

North Korea will place in dry storage spent fuel that it withdrew from its SMW reactor last spring. The fuel, which could produce enough plutonium for four or five nuclear bombs, will later be transferred to a third country for reprocessing.

But Pyongyang will only accept at a later stage special inspections by the IAEA to determine if it had reprocessed plutonium for one or two nuclear bombs in 1989. The IAEA wants to examine two undeclared nuclear waste dumps to answer this question.

The special inspection demand triggered North Korea's threatened withdrawal

from the NPT and lies at the core of the dispute. North Korea may only allow the special inspections once equipment for new and safer light-water reactors is delivered over the next several years, but before they are completely built.

North Korea has agreed to resume negotiations with South Korea on their 1991 denuclearisation treaty. However, South Korea is demanding inspections that are more intrusive than those to be conducted by the IAEA, and prospects for those talks remain uncertain.

Disagreements over South Korea's demand for spot or challenge inspections of suspected nuclear facilities in the North led to the breakdown of the talks in 1992.

In return for the North Korean concessions, the US has offered several promises. They include a guarantee to provide

North Korea with two 1,000MW light-water reactors and alternative energy supplies while they are being constructed during the next decade. This would help solve North Korea's chronic energy shortage, which has been one of the main reasons for its declining economy.

The light-water reactors are dependent on imported enriched uranium for fuel, making it easier for the US and other countries to maintain control over the future North Korean nuclear programme. They also produce plutonium less suitable for the manufacturing of atomic weapons. The current graphite reactors use uranium mined in North Korea.

The light-water reactors will be supplied by an international consortium, probably led by the US. But the reactors are expected to be built by South Korean companies using a Westinghouse design. Seoul will also provide the bulk of the financing for the \$4bn project, although contributions are also expected from Japan and other countries, according to Mr Han.

In the meantime, North Korea will start receiving heavy fuel oil fuel supplies from an international consortium to replace energy lost from the shutdown of the graphite reactors.

The US has also promised to improve ties with North Korea by establishing liaison offices. It is also expected to ease its trade embargo against North Korea and possibly offer a pledge not to launch a nuclear attack against North Korea, a guarantee Pyongyang has long sought.

However, the pace of US-North Korean negotiations may be determined by progress in the inter-Korean talks, although Mr Han said there were "not one-to-one preconditions" between the two.

South Korea has insisted on linking the resumption of inter-Korean talks with the US-North Korean accord out of concern that Pyongyang is trying to drive a wedge between Seoul and Washington on the nuclear issue.

We'd like to set the record straight.

There's nothing simple about having a communications network that's patched together by a collection of different companies from around the globe, each with their own technologies and their own way of doing things. Common sense suggests it would be better to have one global company responsible for managing your network. And that's exactly what you get with the IBM Global Network. Others may offer a "single point of contact"—but if you ask for something like global E-mail, they're likely to tell you their affiliates in Buenos Aires or Budapest aren't on line yet. Assuming they even have affiliates in those places. But the IBM Global Network has 5,000 network professionals and provides access to more than 90 countries. Now. So you can get a head start on the high-speed networking that'll make it seem like everyone in your corporation is working in the same office. Questions? Call us in Europe at 33-1-4905-9879. In Asia at 81 3 5644 2225. And in Latin America at 813 878-5403. And you'll get some straight answers about international network communications.

The IBM Global Network

One global network
has all the advantages

More local support
from 5,000 networking
specialists worldwide

Total outsourcing
and management of SNA,
multi-protocol and
emerging ATM-based
networks

Advanced
LAN interworking
for client/server
computing

Efficient
global messaging
with EDI, E-Mail
and the Internet

IBM

Where politics is a commercial break

By Jurek Martin in San Diego



US MID-TERM ELECTIONS
November 8

By most counts, Ms Kathleen Brown, the Democratic candidate for governor of California, "won" her televised debate with Mr Pete Wilson, the Republican incumbent, last Friday night. For once, she seemed confident, he came over as ungracious and she probably scored among women voters by effectively rebutting his charges that she did not care about the victims of violent crime with the disclosure that her daughter had been raped and her son mugged.

If candidate debates were all there were to winning elections, Ms Brown might have reason to believe she was at last on her way to reducing the 13-point lead Mr Wilson has accumulated among likely voters in the latest Los Angeles Times poll. Even the fact that he agreed to only one debate and ensured it was broadcast only in Friday evening "drive-time" were acceptable conditions given Ms Brown's need to energise her supporters.

But across the country, and especially in big mass media



Feinstein, left, accused of being a career politician, and Wilson, right, whose budget record is blatantly distorted

states such as California, political campaigns prefer to leave as little as possible on the air waves to chance. Instead they buy the time and plug their own messages, secure in the calculation that six out of 10 Americans, and no fewer than nine out of 10 Californians, to whom television is a particular addiction, will be paying some attention.

Virtually all of them have only one intent - to tear down the opposition. For a week California has enjoyed an unrelenting diet, from breakfast to the small hours, through soap operas and Monday night football, of lies, damn lies and highly suspect statistics.

Unedifying it may be, and costly it certainly is, but it can pay quick, if not necessarily

ultimate, dividends. Republican Congressman Michael Huffington has already forked out a record \$12m-plus to undermine California Senator Dianne Feinstein and will probably double that by election day on November 8.

That brought him from obscurity to near parity, though his surge now seems to have been stemmed and Ms Feinstein holds a seven-point lead. But this has been less the result of her vicious counterattacks than national and local media attention on his record and the New Age associations of his wife, the former Arianna Stassinopoulos, considered odd even by Californian standards.

The basic Huffington message is, according to an especially ubiquitous commercial,

"Feinstein - a career politician who will say or do anything to stay in office." She is also "almy" (a quote from a local newspaper) and given to brokering "sweetheart deals" in Congress that favour her unnamed "supporters".

Even when the Republican's commercials are notionally positive - one concludes dreamily "Michael Huffington, US Senate. Finally a reason to believe" - the voice-overs disclose nothing that he actually believes in, except no new taxes.

Ms Feinstein, who has a serious record to run on in the Senate and as mayor of San Francisco, does not confine herself to the high road. One of her commercials, quoting an old story in the Wall Street

Journal, charges that Mr Huffington's company "repeatedly sold illegal shock batons to foreign dictators" (Singapore, as it turns out, which may restrict any Asian travel plans she has in mind). It does not try to explain the relevance of this to the voters of modern California.

Her latest refined commercial pitch is to depict Mr Huffington as "the Texas millionaire California can't trust". This slogan, together with graphics featuring lots of dollars, manages to embrace his wealth, the charge that he delayed establishing legal residence in California for tax purposes, and even a congressional record of alleged big spending.

Mr Wilson and Ms Brown

have been little better. On capital punishment he tars her indiscriminately with guilt by familial association by recalling that her father and brother, both previous governors, opposed the death penalty.

Her commercials quite blatantly distort his budget battles of two years ago in the depths of the recession, replete with a black and white mugshot of the governor that might have been taken from an FBI "most wanted" list.

One reason for Mr Wilson's lead is his support for, and her opposition to, Proposition 187, the "save our state" referendum on the November 8 ballot that would deny a wide range of state-provided social services to illegal immigrants.

It is a serious issue, involving federal and state responsibilities, worthy of serious consideration and both actually agree that even if it passes, as the polls say it will easily, it will end up eventually in the US Supreme Court.

Writing in the San Diego Union-Tribune this week, Mr Robert Laurence suspects that all these smear campaigns are basically intended to turn the larger public off politics, with only the fervent minorities bothering to vote. "And that," he concludes sadly, "tells you what the candidates themselves really think of the American democratic process."

Foreign groups 'should get' US research funds

By Nancy Dunne in Washington

US subsidiaries of foreign companies should be made eligible for millions of dollars of US government research and development funds if they can prove their work is beneficial to the US technology base, a congressional report suggests.

The report, multinationals and the US technology base, released yesterday by the office of technology assessment, said "a national benefits test" could be applied equally to both foreign and domestic companies, consistent with the principle of national treatment which underlies the world trading system.

With the report, the OTA enters an debate over whether subsidiaries of foreign companies, which contribute to the US economy by employing American workers, ought to benefit from government funding and trade promotion activities.

The OTA suggested several criteria for the participation of foreign companies in US technology projects, including:

- Measuring a subsidiary's research and development presence in the US, perhaps as a percentage of sales.
- Requiring specific technological and financial contributions for the project.
- Requiring a company to conduct all the project's R&D (or a negotiated percentage) in the US.
- Agreeing not to license the technology abroad, but to export products resulting from the R&D.

The European-American chamber of commerce, which has been pushing a multilateral investment pact among

the industrialised countries, announced its support for the proposal. "It would be even more useful for such a test to be formulated jointly with our European partners, yielding a test that would apply equally to European and US companies on either side of the Atlantic," said Mr William Berry, president of the group.

The chamber attacked another suggestion in the report that the US also consider "a two-tiered policy regime" which would treat foreign-owned companies the same as US companies on the condition that home governments offer comparable treatment and market access.

"Conditional national treatment is a dangerous precedent because the conditional can be completely unrelated and arbitrary," said Mr Berry. The report said "reciprocity" requirements could "increase tensions in international relations, leading to a variety of retaliatory actions."

The Organisation of International Investment (OII), which represents foreign companies that invest in the US, said the US gained from foreign technology development when it allowed foreign-owned companies to participate in US government-funded technology projects.

"If foreign-owned US companies are held hostage to the trade and investment practices of their home countries, the US would be building a wall around itself," said Ms Nancy McLernon, of OII. Multinationals and the US Technology Base; available from Superintendent of Documents, P.O. Box 371954, Pittsburgh, Pa. 15250-7954; Tel: 202 224-8996, fax: 202 513 2250; \$14.

Washington seeks tougher line on mergers overseas

By George Graham in Washington

US anti-trust enforcement agencies have issued new international guidelines asserting their right to act against a broad range of anti-competitive mergers or corporate behaviour overseas.

The guidelines were issued jointly by the Department of Justice and the Federal Trade Commission for a 60-day comment period and replace rules issued in 1983, under President Ronald Reagan, which shielded most foreign companies and joint ventures between US and foreign companies from US anti-trust enforcement, unless they affected US consumers.

In the draft, the Clinton administration confirms a 1992 policy reversal under which action may be taken against foreign anti-competitive behaviour that affects US exporters as well as consumers.

The Justice Department earlier this year launched its first case under the new policy against Pilkington, the UK glass company, and anti-trust lawyers say the department is investigating allegations of pressure applied to buyers by the Japanese plate glass industry.

This investigation could bolster the US trade representative's efforts to get Japan to open up its glass market, but could also provoke an international battle over the extension of US jurisdiction beyond its borders.

The guidelines also "take a broader view of anti-trust jurisdiction involving imports than the 1983 guidelines," the Justice Department said.

Reflecting a 1993 Supreme

Court decision in a case between Hartford Fire Insurance and California, the guidelines say that the US may act against a foreign cartel that colludes to raise prices, if the cartel members make substantial sales to the US.

US efforts to assert its anti-trust jurisdiction overseas caused considerable friction in the 1970s. Countries such as Canada, France and the UK even passed laws prohibiting companies from supplying documents to the US in retaliation for US action against a uranium cartel.

The guidelines say that there may be less conflict between US and foreign anti-trust interests as "more countries adopt anti-trust or competition laws that are compatible with those of the US".

In pursuing a foreign cartel, they say, the Justice Department and the FTC "would ordinarily notify the anti-trust authority in the cartel's home country."

"If that authority were in a better position to address the competitive problem, and were prepared to take effective action to address the adverse effects on US commerce, the agencies would consider working co-operatively with the foreign authority or staying their own remedy pending enforcement efforts by the foreign country," according to the guidelines.

The guidelines say the Justice Department and FTC will follow the principle of comity, under which countries respect one another's legal acts, but insist that the administration's determination on the application of comity cannot be challenged in the courts.

Brazil GDP grows 4.1%

Brazil's gross domestic product grew 4.1 per cent last year, slightly below initial forecasts, the government's statistics institute IBGE announced yesterday, reports Angus Foster in São Paulo.

Taking into account population growth, per capita income rose 2.6 per cent.

Most growth came from manufacturing, recovering from two years of recession. Output of consumer durables increased nearly 28 per cent and capital goods 10 per cent. Agricultural output fell 1.2 per cent. This year it is expected to be much lower after launch of a new currency, the Real.

Driving rains hit Houston

Intense rains of up to two inches an hour shut down much of Houston yesterday as the death toll reached seven in flash flooding across southeastern Texas, Reuters reports from Houston.

The whole region was under a flood warning after up to 20 inches of rain inundated parts of the area over 36 hours. Driving rains lasted through the night with weather forecasters saying there was no relief in view from a Gulf of Mexico moisture system stalled over the area. Many major roads were impassable because of stretches of high water. Oil refineries remained open in Houston's vast refining and petrochemical complex.



British Excellence and Quality

AN OCCASIONAL SERIES

Chewton Glen

The only privately owned 5 red star hotel in Britain.

Visitors often call Chewton Glen their 'Country Ritz' - which sums it up nicely. Winner of every imaginable accolade, this legendary hotel is the perfect place for a relaxing holiday, a healthy break, or a base from which to explore southern England - The New Forest, Stonehenge, Salisbury and Winchester Cathedrals, Exbury Gardens, and much more. And with possibly the best appointed meeting room in the country, it is easy to combine business with pleasure.

For those who do not wish to budge from the comforts and genial surroundings of the hotel, the Health Club with its magnificent indoor pool, and numerous health and beauty treatments, offers the last word in pampering and relaxation; the 9 hole par 3 golf course and indoor tennis courts provide energetic alternatives.

Chewton Glen's internationally acclaimed restaurant is the jewel in the crown. Pierre Chevallard's dishes delight the palates of countless gourmets and his reputation for exciting and creative cuisine is well deserved. The wine cellar and wine list were recently voted Best in Europe by the Association of French Food and Wine journalists.

Seeing is believing, and words alone cannot do justice to all that is Chewton Glen. A visit to this unique and beautiful hotel is a rich experience.

The Committee, which was established in 1992, aims to focus attention on British excellence, style, craftsmanship, innovation and service. These are qualities which all its members share and for which British products and services are renowned around the world.

For further information, please contact:

The Director, The Walpole Committee, 40 Charles Street, London W1X 7PB, England. Tel: +44 71 495 3219 Fax: +44 71 495 3220

WALPOLE

US duties 'broke fair trade rules'

By Frances Williams in Geneva

The US last year breached international fair trade rules in levying anti-subsidy duties on imports of hot-rolled lead and bismuth carbon steel from France, Germany and Britain, a General Agreement on Tariffs and Trade panel has decided.

Though the amount of trade involved is small - about \$18m a year - the judgment corroborates repeated allegations by Washington's trading partners that US anti-subsidy (and anti-dumping) rules are unfairly biased against imports. It also suggests that the US could be found in breach of GATT rules in a second panel case, this time involving countervailing duties imposed on carbon steel flat-rolled products from six European Union states.

The GATT panels arise from a wave of anti-dumping and countervailing duty suits brought by US steel producers in 1992 following the expiry of voluntary export restraint arrangements. Though most of the 70-odd suits were later dismissed by the US International Trade Commission, some definitive duties were imposed.

The first panel report, which went to Washington and Brussels last Friday, broadly upholds the EU complaint that US methods of calculating countervailing duties artificially inflate the level of alleged steel subsidies. However, the panel did not accept every aspect of the EU case.

The report says the US commerce department failed to give the steel exporters involved sufficient opportunity to present evidence. It was also wrong to treat debt forgiveness by private banks as a subsidy and to assume subsidies to a state-owned company were "passed through" to privatisation.

The panel nevertheless ruled that the US was entitled to average subsidies over a 15-year period and to include a risk premium in the discount rate it applied to calculate the benefit of certain subsidies.

Daewoo unveils big expansion plan

By Kevin Done, Motor Industry Correspondent in Birmingham

The Daewoo group, South Korea's third largest car maker, is planning to quadruple its worldwide production capacity to around 2m cars a year by 2000, Mr Woo-Chong Kim, Daewoo chairman, said yesterday.

Daewoo would produce around 500,000 cars this year, and was planning to raise output to 700,000 in 1995.

The group has embarked on a five-year, \$60m investment programme from 1995 to 1999, said Mr Kim, which would raise capacity in South Korea to around 1m cars a year with a further 1m units of capacity being created overseas, most importantly in Romania, India, China and Uzbekistan.

The Daewoo expansion is one of the most ambitious projects launched by any of the

world's leading car makers in recent years, as it seeks to break into the ranks of the world's top ten vehicle manufacturers.



Mr Kim said that the group had completed this month the acquisition of a 51 per cent stake in Automobile Craiova, the small Romanian carmaker, formerly known as Oltcit.

"We think we are going to produce about 100,000 cars a year in Romania starting at the end of 1996," said Mr Kim. Daewoo could begin with the local assembly in Romania of kits supplied from Korea, but it planned to start production in 1998 of a new small car currently under development as the group's first world car.

This would be a 1.3 and 1.5 litre supermini, the size of the Ford Fiesta or Renault Clio. Daewoo also planned production of this car in India, and China as well as in Romania and in Korea.

"We are going to produce engines and transmissions in Romania," Mr Kim said. Total investment planned for the project was around \$500m, he said, and cars would also be exported to other east European markets.

Production would begin in Uzbekistan next year with plans to raise output to 200,000 a year by 2000. Daewoo was investing \$900m in this project in a 50/50 joint venture with the Uzbekistan government, said Mr Kim.

The group was planning production of its Cielo small family car as well as the Tico range of mini cars and light commercial vehicles with sales

in the markets of central Asia and Russia.

In India Daewoo had just purchased a 51 per cent stake in DCM Toyota, an auto truck maker, which it planned to transform into a car maker with a capacity for 200,000 cars a year by the end of the decade.

It planned an investment of around \$500m in India. Production of the Daewoo Cielo (to be called the Nexia in the UK, where it goes on sale next year) would be followed later by the introduction of the group's new world car.

Mr Kim said that Daewoo had received preliminary approval from the Chinese government last year to establish co-operative projects with the First Automotive Works for the manufacturing of both components and a passenger car which would be a joint development project with

China with production possibly beginning in 1997.

Investment in the China project could total \$20m, shared equally by Daewoo and its Chinese partner. Daewoo launched its cars in Europe for the first time at the Birmingham motor show yesterday with sales in the UK planned to begin in 1995. It has scheduled a launch in the North American market in 1996.

Mr Kim said that the group's main growth would come in the developing markets of Asia, east Europe and possibly Latin America, rather than in west Europe and the US, however.

"The newly created markets we are going into are growing much faster than the main world markets. We cannot sell more than 100,000 cars in west Europe. We are not dependent on west Europe."

French urge UK to join transport aircraft project

By David Buchanan in Paris

France yesterday urged the British government to join the European project to build a new military transport aircraft.

Mr Henri Conze, procurement chief at the French defence ministry, said UK participation was "fundamental" to the project because the British might buy 60 of the planned 300 aircraft. Also, British involvement would help ensure that the Airbus consortium would carry out the project, he said.

Last month, Airbus announced plans to establish a new military equipment subsidiary to manage the development and production of the Future Large Aircraft (FLA), Europe's proposed military transport plane. The separate military subsidiary would include the Italian aerospace company, Alenia, as well as the four Airbus partners, Deutsche Aerospace, Aerospatiale, British Aerospace and Casa, of Spain.

The move was designed to strengthen the FLA group and to help market the aircraft to



Balladur: will urge Major to back European venture

potential customers - including the UK's Royal Air Force. British Aerospace has been lobbying hard to persuade the UK defence ministry not to buy any more Lockheed transport planes from the US but to join the FLA project endorsed by France, Germany and some other European governments.

Mr Conze predicted that Airbus could build the FLA 35 per cent more cheaply than the traditional cumbersome forms

of international collaboration. "But how can we achieve this if BAe is not in the programme, or if BAe is in, but the UK government is not in?" he asked during yesterday's opening of EuroNaval, the biennial maritime equipment exhibition which France has opened for the first time to other Europeans.

At next month's Franco-British summit, which is likely to be dominated by defence issues, the French prime minister, Mr Edouard Balladur, is expected to press Mr John Major, his UK opposite number, to go with the FLA rather than Lockheed. France is also hoping that Mr Michael Heseltine, the president of the board of trade, will show the same support for the European option as he did in the Westland affair in the mid-1990s.

CMN, the French shipbuilder which recently failed to reach agreement to take over the bankrupt Swan Hunter yard in Newcastle, yesterday announced a marketing agreement with BAe Dynamics to put the latter's missiles on CMN's range of missile boats.

Peugeot finds a PAL in India

By John Riddling in Paris

Peugeot is to sign a joint venture agreement today with Premier Automobile Ltd (PAL) to establish a manufacturing operation in India for the French motor group.

The project has ambitious objectives to produce 60,000 vehicles a year by 1998 and to capture 10 per cent of the Indian car market by 2000. The investment over the next four years is expected to total FF1.2bn (\$220m).

Peugeot said the project, one of a series of investment plans in India by international vehicle groups, reflected the strong growth potential of the market. He said the Indian car market was growing by about 15 per cent a year and should reach about 270,000 cars in 1994. By 2000 sales were expected to reach 500,000 cars.

Under the agreement, the joint venture, dubbed PAL Peugeot, will be controlled by the French and Indian partners. They will both hold about 28 per cent of the shares, with the balance held by institutional investors and the public

through a share issue on the Bombay stock exchange.

The joint venture will produce the five door version of the Peugeot 309, a medium-sized vehicle. The cars will be manufactured at PAL's Kalyan plant, 50km north of Bombay. The first 309s are expected to leave the production line next year, with volumes steadily increasing over the following three years. The joint venture agreement includes the re-tooling and modernisation of the Kalyan plant, which currently produces the NE118, a small car which uses Nissan engines.

In the first year of the project, Peugeot estimates that between 5,000 and 6,000 309s will be built, with a local content ratio of about 15 per cent. The proportion will rise to about 50 per cent by 1998.

The 309 will be a rival to the small cars produced by Maruti, the dominant player in the Indian car market, which has partnerships with Japanese manufacturers. Competition is expected to intensify as other international groups, including Ford and General Motors, start production in India.

WORLD TRADE NEWS DIGEST

Thais in Manila airport project

Italian-Thai Development, Thailand's largest construction company, confirmed yesterday it had signed a memorandum of understanding with the Philippines government for a \$300 project to turn the former US Clark airbase north of Manila into an international airport. The project would be a "build-operate-transfer" scheme to convert the airbase into a passenger and cargo airport with an aircraft maintenance centre by the end of 1997; to develop a "mass transit" railway system from Clark to Makati, the Metro Manila business district, and on southwards to the industrial zone south-east of the capital; and to expand and improve road links to Clark.

It is not clear, however, how the plan to redevelop Clark will fit in with a similar and further advanced project for nearby Subic Bay, the former US naval base, which also has a big airport. Victor Mallet, Bangkok.

Caterpillar in China sales drive

Caterpillar, the US manufacturer of earthmoving and mining equipment, expects its sales in China to increase to \$500m a year by 2000. Mr Donald Fites, the company's chairman, who is in China to sign two joint venture agreements to produce hydraulic excavators and diesel engines, said Caterpillar sales in China last year were between \$50m and \$100m.

Caterpillar is investing \$30m in the ventures with the Xuzhou Construction Machinery Group and Shanghai Diesel Engine. The company is also planning to establish a holding company to oversee its China business. Mr Fites said China's drive to improve its infrastructure, including roads and ports, provided great opportunities. Tony Walker, Beijing.

GM to buy Japanese steel

Kawasaki Steel has signed a contract with General Motors to supply hot and cold-rolled steel sheet for vehicle body parts and components. The contract represents a shift in GM's "buy American" policy, which the Japanese steelmaker believes has prevented it from receiving orders from GM for 20 years. Ford terminated purchases from Kawasaki in 1991 in a "buy American" policy, while Chrysler stopped buying from the Japanese company after Japanese steelmakers were hit by anti-dumping charges in 1992. Recent price increases by US steel companies may have been a factor behind GM's policy shift, Kawasaki said. Michio Nakamoto, Tokyo.

Vietnam seeks foreign tenders

Vietnam is asking foreign companies to tender for two hydro electricity plants, Ham Thuan and Da Mi, which will require investment of \$6.5m. Mr Tran Tuan Anh, director general of Vietnam's state planning committee, said a feasibility study for the plants has been completed with help from the Japanese government. The plants will be built on tributaries of the Dong Nai River, 150km north-east of Ho Chi Minh City. Manuela Szragosa, Jakarta.

Toshiba to sell Indian VCRs

India's electronics industry has won its biggest export order, to supply 100,000 video cassette recorders worth about \$30m to Toshiba, the Japanese electronics combine. The VCRs will be made by Videcon, a leading Indian consumer electronics group, and will be sold worldwide under the Toshiba brand. Toshiba said it might increase its purchases to 300,000 machines a year and might also buy colour televisions from Videcon. The VCRs use Toshiba technology. Stefan Wagstyl, New Delhi.



For two years in succession, Standard Chartered has been voted Best Bank in Asia in the Euromoney Awards.

This double achievement reflects not only the quality of service we deliver, but also the extent of our network in the region - more than 250 offices in 18 countries, many established for over 100 years.



In established areas of strength, such as treasury, trade finance and corporate and investment banking, we continue to develop new capabilities and pioneer new opportunities.

For example, in China, where our involvement goes back over 135 years, we now have more offices than any other foreign bank. As a result, we are ideally placed to make financial connections between China, the rest of

Asia and indeed the world - in areas from trade finance, to correspondent banking, to the raising of new equity investment.

And now our network also extends into the developing economies of Vietnam and Cambodia, helping you to create new connections and find new opportunities for trade.

In a region where competition is fierce and corporate customers are demanding, it is not enough merely to

operate an international network. It is a question of international networking - actively co-ordinating offices and services to provide real benefits in responsiveness, innovation and efficiency.

Having been voted Best Bank in Asia, Standard Chartered can fairly claim to deliver.

Standard Chartered

INTERNATIONAL NETWORKING



NEWS: UK

Carmaker creates 1,450 jobs as demand surges

By Kevin Done, Motor Industry Correspondent, in Birmingham

Rover, the leading UK carmaker, is creating 1,450 jobs at its British plants in response to strongly rising sales, particularly in export markets. About 1,000 of the jobs will be at the main Rover plant at Longbridge, Birmingham, in vehicle assembly and engine production. A further 300 workers will be recruited at the Land Rover plant at Solihull, near Birmingham, to support rising production of the new Range Rover luxury four-wheel-drive vehicle, while 150 jobs will be added at the body and pressings plant at Swindon in south-west England. The

recruitment halts the long decline in the size of the workforce of Rover (formerly British Leyland), which has fallen from 41,700 in 1990 to 33,000 last year. The workforce has been cut by nearly two-thirds from 96,000 in 1984.

Rover, taken over by BMW of Germany in January, said recruitment of the workers would take place during the next six months. The workforce worldwide was being increased to about 35,500 to meet increases in production and future model programmes, which formed part of the group's £1.5bn, five-year investment plans.

Next year Rover will replace its current 200/400 range and launch a

new range of MG sports cars. The company has added 1,300 jobs at its Land Rover Solihull plant in the past 18 months to support rising production of its Discovery four-wheel-drive sports/utility vehicle.

Mr John Towers, Rover group chief executive, said output for the full year was expected to rise to about 493,000 from 450,200 in 1993 and 404,900 in 1992. Production was forecast to rise well above 500,000 in 1995.

Rover retail sales in the first nine months worldwide rose by 9 per cent to 371,855 from 341,075 in the corresponding nine months last year with sales in continental Europe up by 30 per cent, in Japan by 26.6 per cent

and in North America by 127 per cent.

Rover sales increased by only 3.2 per cent in the UK market, but Mr Towers said the group was willing to accept a fall in its UK market share, as long as this was more than offset by rising exports in order to reduce its current heavy domestic reliance.

"We want to be less dependent on the cyclical UK market. Being less dependent on UK market share means that we can market our cars, as we want to, I would be happy with a lower market share in the UK, so that sales and marketing can be in line with the positioning of the Rover brand rather than responding to business pressures."

Rover's share in the UK fell to 12.4 per cent in the first nine months this year from 13.2 per cent in the corresponding period a year ago.

"I would be happy with 9-10 per cent, but we have to build up the export markets to balance this," said Mr Towers.

● Ford and Vauxhall, the UK offshoot of General Motors of the US, forecast yesterday that sales of new cars in the UK would total about 1.92m in the whole of 1994, an increase of nearly 8 per cent from 1.78m last year.

The rate of growth has slowed significantly in the last four months, however - with particular weakness in sales to private buyers - forcing

carmakers to lower their forecasts for the year.

But the leading UK dealer organisation attacked the carmakers for overpricing cars. Mr Alan Fulham, director of the National Franchised Dealers Association, said that "prices of new cars could be cut by as much as £2,000 if manufacturers abandoned two-tier pricing and stopped adding expensive specification items purely to influence corporate buyers."

Prices could be reduced by 10 per cent or about £1,000 on an average saloon car if manufacturers stopped giving fleet buyers excessive discounts at the expense of the private buyer, said Mr Fulham.

Premier sets out stance on IRA arms

By Philip Stephens in London and John Murray Brown in Belfast

Mr John Major, the UK prime minister, yesterday signalled that a readiness by the IRA to hand over its Semtex explosive and detonators will be of the first tests applied by his government to the long-term intentions of the republican movement.

As Conservative ministers prepared for a meeting which is expected to pave the way for a positive but limited response to the cessation of violence, Mr Major told MPs that the issue of the IRA's armaments would be "crucial" to the process.

But, answering questions in the House of Commons, he appeared to suggest that, initially at least, the government was prepared to differentiate between guns and explosives. He said: "The question of armaments and especially Semtex and detonators, perhaps more than guns, are crucial issues that will have to be dealt with."

Downing Street officials rejected any suggestion that he was signalling that the IRA might be able to keep its guns. But senior unionist politicians in Northern Ireland have raised the possibility that the surrender of IRA weapons might be phased, with explosives and heavy weapons surrendered first. The argument is that explosives could be used only in an offensive capacity.

Sir James Kilfedder, the Ulster Popular Unionist MP, told Mr Major yesterday that until the terrorists handed over their guns and Semtex there was a danger that they would be used by breakaway paramilitary groups.

The unionists estimate that the IRA still has about two tonnes of Semtex as well as more than 1,000 high-velocity rifles.

Mr Major and senior cabinet ministers are expected to agree as early as tomorrow to respond formally to the IRA ceasefire by announcing that it is now the government's "working assumption" that the violence has ended for good.

Tories attacked by Labour MPs over 'corruption'

By James Blitz

The government was yesterday forced on to the defensive over allegations of "sleaze" inside the Conservative party as opposition MPs pressed home claims that leading Tories were guilty of corruption.

In the first prime minister's question time in the House of Commons since the summer recess, Mr John Major, the prime minister, issued a staunch defence of his predecessor, Baroness Thatcher. There have been suggestions that her son had received £12m in commissions from a 1980s arms deal.

The prime minister said Lady Thatcher had "acted with complete propriety throughout her long and distinguished period as prime minister of this country."

He also called on Labour MPs to provide firm evidence of any impropriety by his predecessor, rather than "peddling" speculative remarks.

However, amid claims that Mr Mark Thatcher had been heavily involved in the Al Yamamah arms deal between the UK and Saudi Arabia, Labour MPs continued to call for further investigation.

Mr Tam Dalyell, Labour MP for Linlithgow, claimed in the Commons that Sir Clive Whit-

more, the former permanent under-secretary (a senior grade in the civil service) at the Ministry of Defence, had told Lady Thatcher of his disquiet over the involvement of her son in the arms negotiations.

Mr Nicholas Soames, minister responsible for the armed forces, firmly rejected the claim, saying: "Sir Clive Whitmore has already denied the veracity of that story."

Labour MPs were also hoping that the Commons public accounts committee, the most prestigious of the all-party select committees, would launch an investigation at a private meeting today into Mr Thatcher's involvement.

Yesterday, replying to a call from Mr Paul Tyler, a Liberal Democrat MP, for an assurance "that your administration is now a sleaze-free zone," Mr Major insisted: "I am as concerned as any member in this House or any person in this country that we should have the highest standards in public life."

Mr Major later insisted that a report into allegations of insider share dealing against Lord Archer, the former conservative party vice-chairman, should not be published.

Mr Major said there was no legal provision for such a move.

Famous team will support campaign by companies to win business outside Britain

Football diplomacy wins high score

By Chris Tighe in Newcastle

Football diplomacy in the cause of economic regeneration is the new weapon of Newcastle United Football Club, the Premiership leaders.

Sir John Hall, United chairman and a champion of his native north-east, has decided to turn his team's success into a platform for local companies seeking new business overseas.

When Newcastle play Bilbao in Spain in a fortnight, 20 businessmen from north-east England will be at the game, cheering on the Magpies before meetings the next day aimed at building on the team's expected victory.

Football diplomacy has already scored a success for Sir John, who recently invited executives from Samsung, the South Korean group then seeking a new European site, to St James Park where they saw Newcastle beat Royal Antwerp 5-2.

This week Samsung announced its new £450m electronics complex was to be located at Wynyard Park, Cleveland, on land owned by Sir John's family business Cameron Hall Developments.

If, as Sir John and manager Kevin Keegan intend, United's winning streak continues into future legs of the UEFA cup, more business people will accompany the team on its European trips, with the promise of support at marketing



Robert Lee of Newcastle United on the attack against Antwerp in the first round of the UEFA cup

Photograph: Chris Cole

functions from Sir John, Kevin Keegan and the players to reinforce the image of success.

Sir John said: "We take our money from the business community and we want to put something back. I said, how can we help the regeneration of the area?" The 20 businessmen for the Bilbao trip will have to pay travel costs of about £400 (£632) each. They are being sought by Mr Ron Seymour, trade missions man-

ager for the Northern Development Company, the economic regeneration body for north east England and Cumbria.

Those going along need not be United supporters. "Business is business," says Mr Seymour, who operates from the NDC's Middlesbrough office.

● Mr Michael Heseltine, trade and industry secretary, insisted yesterday that the government is committed to the regional aid policy which this

week helped win the Samsung investment for the UK.

Mr Heseltine said the idea that the system of regional selective assistance grants, under which the Samsung investment has been offered £58m, would be abandoned was "trivial."

He said: "There are no question marks over the programme." Asked on BBC Radio 4 yesterday if he could guarantee that grants for next year

would not be less than the current year, he said:

"These programmes I am dealing with are spread over several years and my department is actively negotiating across the world in order to continue this inward investment into Britain."

RSA grants are made to encourage job-creating investments in areas of Britain needing economic regeneration. In 1993-94 £241m was spent.



We've given the world a power station that produces more than 120,000 Mw of energy. We worked together with Gen, a nuclear power company in Geneva, on the construction of Synchrotron, the largest subatomic research facility in the world. In Brazil, we supplied the workings and automation for the Rio de Janeiro cableway.

OUR SERVICES ARE ONLY LIMITED BY THE SIZE AND SCOPE OF OUR CLIENTS' VISION.

ANSALDO
INDUSTRY POWER TRANSPORTATION

We could give more examples, considering that we do business in over 70 countries worldwide, but you get the idea. In the fields of Industry, Power and Transportation, no client is too diverse not to profit from our flexibility, reliability, stability, and expertise. And that's something you can find evidence of all over the world.

F I N M E C C A N I C A I R I G R O U P

FT

FINANCIAL TIMES
Conferences

**VENTURE '94
FORUM
EUROPE**

VENTURE
ECONOMICS
A Division of Reed Elsevier Publishing Inc.

December 1 & 2, 1994

Venture Forum Europe '94, the fifth in a well received European series arranged by the Financial Times and Venture Economics, brings together authoritative speakers from Europe and North America to review current developments in the venture capital industry and to examine future trends.

SPEAKERS INCLUDE:

Dr Luciano Balbo
Chairman
B&S Ventures Srl
Mr Colin Blesley
Partner in charge of Corporate Finance (Spain)
Coopers & Lybrand
Mr Christopher M Bown
Partner
Baker & McKenzie (London)
Mr Peter A Brooke
Chairman & Chief Executive Officer
Advent International Corporation
Mr Roger Brooke
Chairman
Candover Investments plc
Mr Douglas R Brown
Chairman & Chief Executive Officer
Advent International plc
Mr Thomas F Cadigan
Assistant Treasurer & Managing Director
IBM Retirement Funds
Mr Roderick Crawford
Director & Head of Investment Trust Research
BZW Securities Limited
Mr Alec D'Janoff
Director of European Corporate Finance
Coopers & Lybrand

Mr Michiel A de Haan
Partner
Atlas Venture
Dr Walter R Henle
Partner
Baker & McKenzie (Frankfurt)
Mr Brian Larcombe
Executive Director, Finance & Planning
3i Group plc
Chairman, British Venture Capital Association
Mr Jonny Maxwell
Senior Investment Analyst
Standard Life Assurance Company
Mr Denis Mortier
Chief Executive Officer
Financière Saint Dominique
Mr Jon Moulton
Director
Apax Partners & Co Ltd
Dr Daniel F Muzyska
IAF Professor of Entrepreneurship
INSEAD

Dr Jos Peeters
Managing Director
Capricorn Venture Partners nv
Mr Eserino Pini
Vice Chairman
Olivetti SpA
Dr Fabio Sattin
Managing Director, Chase Gemina
Italia
Chairman
European Venture Capital Association
Mr John B Singer
Director
Advent International plc
Mr Michael Skok
Chairman & Chief Executive
European Software Publishing Limited
Mr Leendert J van Driel
Managing Director
Glide Investment Funds
Miss Theresa Wallis
Team Leader, Smaller Companies Group
London Stock Exchange
Mr Michael Walton
Managing Director
Garnmore Venture Capital Limited
Mr Brian Winterlood
Managing Director
Winterlood Securities Limited

Co-sponsored by:

Advent International
GLOBAL PRIVATE EQUITY

BAKER & MCKENZIE



Coopers
& Lybrand

**VENTURE '94
FORUM
EUROPE**

Please complete and return to: Financial Times Conferences,
PO BOX 3651, London SW12 8PH.
Tel: 081 673 9000 Fax: 081 673 1335.

Please tick relevant boxes:

☐ Please send me details about the conference

☐ Please send me details about business opportunities

The information you provide will be held by us and may be used to keep you informed of FT products and used by other selected quality companies for marketing purposes.

Name Mr/Mrs/Miss/Ms/Other
Job Title Dept
Company Name
Address
PostCode
Tel Fax HA

UK NEWS DIGEST

Investors urged to pick London

An attempt to attract more manufacturing investment to London was launched by Mr Tim Eggar, industry and energy minister, in a move that marks the first concerted attempt to reverse the decline of the capital as a manufacturing centre.

The Greater London manufacturing workforce has dropped from more than 800,000 in the early 1970s to 300,000. This is just 11 per cent of the area's total workforce, compared with a nationwide figure of 20 per cent. Mr Eggar's initiative also aims to ensure existing manufacturers get the best deal from central and local government. It comes a day after Samsung, the Korean industrial group, announced plans to build a 245,000 manufacturing plant in the north-east of England, eventually creating 3,000 jobs.

He said this showed how development agencies, local authorities and Training and Enterprise Councils (TECs) elsewhere in the UK were working effectively with government to attract new manufacturers. "Other regions of the UK are old hands at this," he told the parliamentary manufacturing industry group.

Mr Eggar said London could not escape some of the blame for undervaluing its manufacturing sector. "The false stereotype of the London businessman with his pinstriped suit and bowler hat has been equally misleadingly replaced by the image of a young man with red braces wheeler-dealing in front of an exchange room computer screen," he said. An anti-manufacturing culture had been perpetuated. *Andrew Scalet*

Underwriters are criticised in Feltrim Names' court case

Underwriters of three Feltrim syndicates at the Lloyd's insurance market ran their businesses like imprudent gamblers, the High Court in London was told yesterday. The syndicates' total exposures to risk were not properly calculated and inadequate reinsurance was purchased, Mr Jeremy Cooke said. He was appearing on behalf of more than 1,500 Feltrim Names.

The Names are suing the underwriters for negligence and are seeking to recover losses of some £550m. The losses were sustained between 1987 and 1989 by syndicates 540, 542 and 547, which specialised in catastrophe insurance and were involved in the reinsurance "spiral". The syndicates suffered massive losses after disasters such as the fierce 1987 storms in England and the Piper Alpha oil platform explosion.

The case is the second largest ever brought before the UK courts both in terms of the damages claimed and the number of plaintiffs involved. Only the Goode Walker case, in which more than 3,000 Names successfully sued their agents was larger.

Mr Cooke said that the gap between the total exposures of the syndicates and the levels of re-insurance purchased was too large for any prudent business. Nobody running a business prudently would operate on the basis that if certain events took place the business would be destroyed, he said. This amounted to simply gambling on whether those events would happen, he went on. *John Mason*

Lawyers condemn French forecast about royal divorce

Lawyers for the Prince and Princess of Wales issued a joint statement saying there was no truth in rumours that a divorce had been agreed. The royal couples' solicitors said they wanted to make clear that "there is no truth in reports which state that it has been agreed that a divorce should take place or that there have been discussions about a financial settlement between the parties."

The French magazine *Voici* alleged that the couple would divorce in March, with the princess receiving a settlement of £15m. The magazine claimed to have published extracts from a book by Andrew Morton, author of the 1992 best-seller entitled *Diana, Her True Story*. The new book is due to be published in the UK next month.

Mr Morton's publisher, Michael O'Mara Books, said the article in *Voici* contained elements from the new book. But it also contained "substantial distortions and falsehoods, especially with regard to the question of divorce and the legal settlement for the prince and princess." *PA News*

Small businesses criticise service received from banks

Small businesses believe UK banks provide worse value for money now than four years ago, says a survey from the Forum of Private Business. The findings, produced by the University of Nottingham on the basis of some 5,500 responses to questionnaires, found that small businesses see transaction charges as the greatest constraint imposed on their activities by their relationships with banks.

It also highlights as significant restrictions on small businesses the interest rates charged and the fear of having overdraft facilities withdrawn. This is the fourth survey of small-business opinion commissioned by the forum, and shows that the sector is increasingly gloomy about the value for money provided since 1990 by each of seven UK high street banks identified in the poll. Barclays is now seen as giving the worst value for money and Royal Bank of Scotland is seen as giving the best. *Alison Smith*

London-Brussels rail fare to be undercut by ferry line

RMT-Oostende Lines, the Belgian cross-channel operator of four ferries and two jetfoils, said it would cut prices on its Ramsgate-Oostende route in order to challenge the Eurostar passenger train link from London to Brussels through the Channel Tunnel. Mr Francis Engelen, Oostende Lines commercial director, said the Eurostar service could lure away nearly half the passengers who use the ferry or jetfoil. The Belgian company's promotional prices will start tomorrow and are due to end on January 8 next year, but might be extended. *Reuter*

Gas complaints increase

The Gas Consumers Council reports that complaints about British Gas, a company that used to be a nationalised utility, increased by 6 per cent in the first nine months of this year after falling 14 per cent in 1993. Prime areas of concern are problems with service and repair work, disputes over gas bills and arguments over contract conditions of the Three Star Service Scheme where complaints have risen by 33 per cent.

Mr Phil Hamer, the council's field director, said the reorganisation of British Gas into new business units ahead of deregulation was affecting service levels. "To maintain customer confidence before competitors enter the market," he said, "the new business units must react quickly to reverse this worrying trend." Mr Bob Fraser, director of operations at British Gas, admitted that there was "a small temporary fallback in some service standards while changes are being implemented." But he said the company was committed to achieving higher standards than at any time in the past. *David Lascelles*

Slow recovery in construction sector is again maintained

Construction orders fell by 5 per cent in the three months to the end of August compared to the three months to the end of May, the Department of the Environment said. Orders were 5 per cent higher than the same period last year, suggesting that the slow recovery in construction activity is generally being maintained. The biggest falls over the three-month period were seen in public housing and housing-association orders, which fell by 33 per cent, and infrastructure orders, which fell by 14 per cent. *Simon London*

Market for mobile calls will become most competitive in Europe

Phones network to double

By Andrew Adonis

Mercury One-2-One, the mobile phone network operator, is to invest £230m on doubling the size of its network over the next 2½ years.

The investment, which continues One-2-One's slow expansion, will give the UK's main population centres four cellular phone networks by early 1997, making Britain the most competitive mobile phone market in Europe.

With more than five mobile phone subscribers per 100 people, the UK has bigger cellular usage per head than any European country outside Scandinavia.

Sweden has more than 12 subscribers per 100.

One-2-One now covers only the south-east and west Midlands of England - about 20 per cent of the UK population. The networks of Vodafone and Cellnet, the two largest operators, have national coverage. Orange, the newest network, covers about 65 per cent of the population, and plans to extend to 70 per cent soon.

With 140,000 mobile phone subscribers, One-2-One is small compared with Vodafone and Cellnet, which have about 1.4m and 1.2m subscribers respectively. However, the company claimed to be gaining a third of

all sales within its coverage area. Orange, which launched its network in April, refused to disclose subscriber numbers.

prompting speculation among analysts that it is gaining customers at a slower rate than One-2-One despite its wider geographical coverage.

Mr Richard Goswell, One-2-One's managing director, said the company did not intend to cut tariffs or handset prices to attract subscribers. "We do not see any need for a price war."

Vodafone and Cellnet are also keen to avoid serious price competition, but have cut the prices of their digital handsets sharply over the past month to

less than £100 (£150) for the cheapest.

One-2-One's cheapest handset sells for £200. Mr Goswell said the company would not increase subsidies for handsets to reduce the price. "I don't believe in giving handsets away: it sends the wrong message about their value," he explained.

Cellnet, a joint venture between British Telecommunications and Securicor, made the largest advance of any operator in the summer quarter, with 133,000 net new subscribers compared with 123,000 for Vodafone, which remains the biggest operator.

Warning on dairy investment

By Alison Maitland

The sharp rise in milk prices that will accompany deregulation of the market next month could drive dairy industry investment out of Britain, Northern Foods, one of the country's largest dairy groups, said yesterday.

"The processing industry will be leaner, fitter and more focused," said Mr Neil Davidson, group executive responsible for milk buying. "It may

also be somewhere else."

Mr Davidson told a dairy industry conference in London organised by Agra Europe, the business information company, that domestic and foreign investment in new technology and capacity had been thrown into doubt by deregulation.

This was because of the "major" price rises being introduced by Milk Marque, the independent farmers' co-operative that will succeed the Milk Marketing Board, and because

of possible challenges to Milk Marque by the competition authorities.

The Dairy Trade Federation, which represents milk processors, is considering a formal complaint to the European Commission and the UK's Office of Fair Trading, claiming that Milk Marque's selling system is an abuse of its monopoly position.

Milk Marque controls at least 65 per cent of supplies in England and Wales.

Mr Davidson said this made it the largest milk selling organisation in Europe, nearly twice the size of Besnier in France or Nestlé across Europe.

He also criticised the government, saying its original plan to improve UK dairy competitiveness in Europe "has been diluted to the achievement of a crude political objective of abolishing the Milk Marketing Board while protecting the farmer vote."

Welsh project to be investigated

By Roland Adaburgham in Cardiff

A Tesco superstore, being built on the edge of Aberdare in the south Wales valleys, has called into question the way in which the Welsh Development Agency has run joint ventures.

Grant Thornton, the accountancy firm, has been commissioned by the WDA's new management and the National Audit Office to investigate the circumstances behind the development, the result of a joint venture by the agency, Cynon Valley borough council and Mid Glamorgan county council.

The inquiry report, due to be published in the next few weeks, is expected to make serious criticisms of the way in which the WDA used its powers to recommend changes in the management of joint ventures.

The development was intended to be an important part of the regeneration of Aberdare. When the Tesco store opens in March it will employ 250 people in an area of high unemployment.

Among the issues is why the WDA paid £440,000 in 1992 for a site which had been bought by a South Glamorgan company, Offerdemo, only

hours previously for £160,000. The process by which the Tesco bid was successful also raised protests.

The Co-operative Retail Society, which was a bidder, threatened to sue. Last week it said: "We are unable to comment for legal reasons."

The Grant Thornton report is expected to say that there was no personal involvement in the deal by Mr David Malpas, managing director of Tesco and a member of the WDA board, and Dr Gwyn Jones, then WDA chairman and subsequently a Tesco director.

The WDA has set up a group to ensure greater transparency and consultation in joint ventures and more involvement by the private sector.

Last year in Europe over two million business people made their first business decision a good one. They checked into an ITT Sheraton. In fact, Europe's business community as a whole recently voted ITT Sheraton as the best hotel chain for business travel.*

For over twenty-five years, ITT Sheraton has attended to the needs of the business traveller in Europe. Now, wherever you turn in Europe, ITT Sheraton is there: Austria, Belgium, Bulgaria, Croatia, Cyprus, Denmark, France, Germany, Italy, Luxembourg, Portugal, Sweden, Switzerland, Turkey and the United Kingdom.

32 HOTELS IN SIXTEEN EUROPEAN COUNTRIES

Of course, just being there is not enough. Once you arrive in any of these cities, the high standard of Sheraton service takes over. After twenty-five years of serving business people in Europe we know what you need, and if it's not already there we'll get it for you.

For more information on ITT Sheraton in Europe, please call:

UK 0800 353535, Germany 0130-853535, Italy 1678-35035, Sweden 020-795835, Belgium 078-113535 or the toll-free reservations number in your country.

* Business Traveller Magazine, 1994



ITT Sheraton

OUR WORLD REVOLVES AROUND YOU

BUSINESS AND THE ENVIRONMENT

Old newspapers and card have suddenly become a scarce and expensive commodity

Recyclers on a paper chase

Bernard Simon on implications for US waste recovery

Two of North America's biggest newsprint producers, Vancouver-based Fletcher Challenge Canada and Jefferson Smurfit of St. Louis, Missouri, broke with tradition in August when they announced their third price hike of the year.

In addition to the usual across-the-board increase (in fact, a cut in discounts), the two companies said they would slap a \$27.50 (\$17.50) per tonne surcharge on all newsprint made from recycled paper. The move reflects a dramatic turnaround in the North American market for used newspapers, stationery and cardboard boxes. From being a cheap and readily available alternative to wood pulp (the natural raw material used in paper-making), waste paper has suddenly become a scarce and expensive commodity.

The price of old newspapers (ONP) has almost quadrupled from a low of about \$30 per tonne a year ago to \$110/tonne. Old corrugated cardboard (OCC) prices shot up from \$45 to \$210 per tonne earlier this year, but have since eased to about \$80-\$120, depending on region.

The paper shortage comes just as North American forest-products companies are in the middle of massive investments in paper de-linking and recycling facilities.

The market for waste paper in Europe has turned around in recent months, making it worthwhile for many countries to recycle material for the first time in years.

Some grades of waste paper and board were even priced negatively at the beginning of the year - the authorities would pay processors to take it away - but have shot up in value as shortages have appeared across the continent.

Although it looks like a vast increase in waste paper prices, we are actually just getting back to the level we saw in 1989 before we were hit by the recession," says Geoffrey Jones, national secretary at the British Waste Paper Association.

A waste paper index of UK prices, which sets 1990 as 100, has shot up from 89 at the

According to the American Forest and Paper Association in Washington DC, 56 recycling projects are currently on the drawing board in the US. The industry is expected to spend about \$10bn on new recycling capacity over the rest of the decade.

By 1996, the US paper and paperboard industry is expected to rely on recovered paper for 35 per cent of its fibre supply, against 42 per cent from primary wood pulp. (The rest comes from residues, such as sawmill waste.)

The present shortages reinforce fears that de-linking and recycling plants could struggle to acquire sufficient quantity and quality of old paper. "We need to collect more, especially in the office-waste side," says Jon Ashley, manager of fibre procurement at International Paper, the world's biggest paper producer.

Mark Roseborough, general manager of Newstech Recycling, a waste-paper processing company in Vancouver, notes that "we're competing against virgin pulp. There's a choice to be made."

Publishers' enthusiasm for an ever-higher recycled content in newspapers and magazines could wane if used-paper costs keep climbing. Some US state laws exempt publishers from recycled-content targets if the price of newsprint material rises

above that made from virgin fibre.

Fletcher and Jefferson Smurfit abandoned their plan for a two-tier price structure after other producers failed to follow their lead. Some feared resistance from publishers, whose newsprint costs have already jumped by about 15 per cent this year. Others, protected by long-term contracts, have yet to feel the full impact of the jump in recycled paper costs. But Mark Gibson, Fletcher's vice-president for paper marketing, predicts that the surcharge "remains a very real possibility in the future".

According to Gibson, Fletcher now pays more for de-linked, recycled pulp than for virgin fibre: "Most people assume that because it's old newspapers, it must be cheap, but they're wrong."

The used-paper shortage partly reflects rising domestic and foreign demand as overall business activity picks up. US waste-paper exports, mostly to the far east, rose by about 34 per cent in the first six months of this year. Soaring wood-pulp prices, which have jumped from \$380 to \$700 a tonne in the past year, have encouraged papermakers to turn to used paper as a raw material.

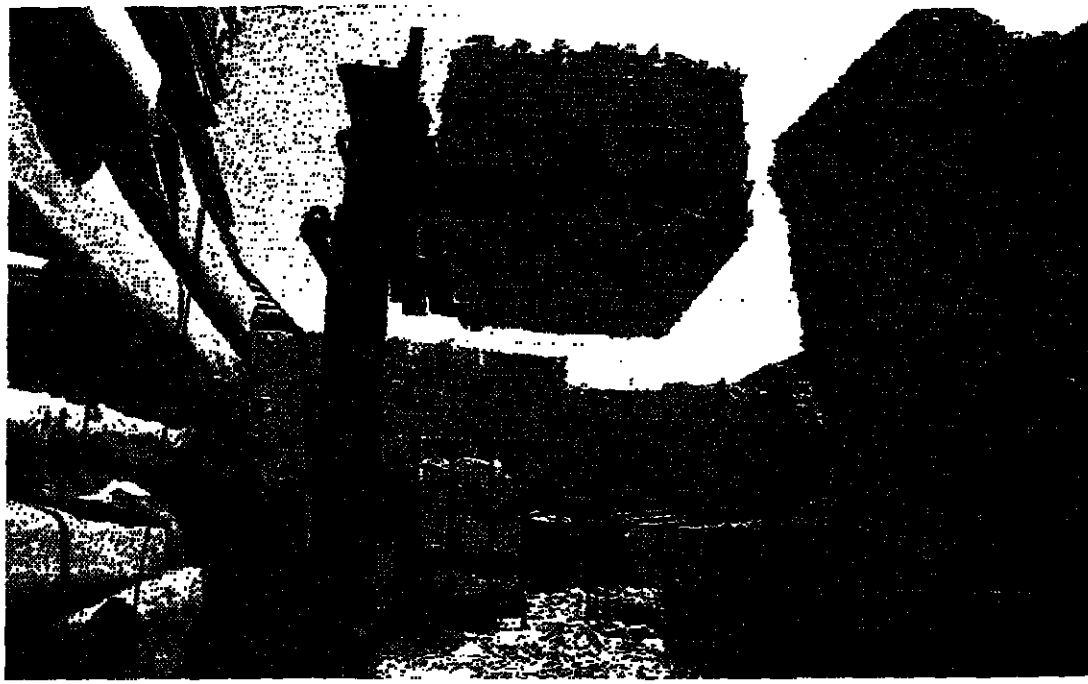
But the shortage has been exacerbated by the rising threshold imposed by US and Canadian authorities on the minimum recycled content of packaging, newspapers and other paper products.

The Clinton administration decreed last year that all paper ordered by the US federal government must have a recycled content of at least 20 per cent. In California, the rule is that one-quarter of state purchases must have a minimum 40 per cent recycled content.

North American recycling targets are well below those in some European countries, especially Germany. But US and Canadian paper mills also have to fight harder to lay their hands on suitable used paper.

One sore point is the sizeable quantities of waste paper being directed to energy-from-waste plants. According to some estimates, as much as 10 per cent of paper that might normally go to landfills or recycling plants is being channelled into energy production.

The terms of bond issues floated to finance energy-from-waste plants



Higher prices: 'Most people assume that because it's old newspapers, it must be cheap, but they're wrong'

often require municipalities to control the flow of combustible materials. Municipalities are also eager to collect recyclable materials to help raise money for their waste-management services.

"Any time you interfere with the free flow of our fibre source, you're going to be creating some problems," says Virgil Horton, vice-president of the AFPA's paper group.

The paper companies want free-market forces rather than municipal ordinances to decide what happens to used paper. A growing number of producers have moved into waste-paper collection as a means of securing their raw material supplies. Some industry experts are confident that the shortage of old paper will subside. "Recovery rates are still nowhere near what is attainable," says an executive at one Canadian company.

Paper companies have become increasingly active in recycling programmes. International Paper, for instance, was involved in a milk-carton recycling drive in Los Angeles. The AFPA has set up task forces to try to ease bottlenecks in supply.

Papermakers are also encouraged by a rapid consolidation of the North American waste industry. Big waste services operators, such as Waste Management, Browning-Ferris and Laidlaw, have the resources to improve collection and invest in extra recycling capacity.

Even if waste-paper prices stay high, recycling fans can take heart that prices of virgin fibre are unlikely to drop much in coming years. The North American forest industry's concern about waste-paper prices is matched by fears that stricter rules to protect old forests in British Columbia and rare species in the north-west US, are also making trees a scarce and expensive commodity.

mills seek to recoup raw materials costs. October increases are expected to push the UK market between 7 per cent and 9 per cent higher. West expects the price rises to prompt higher recycling rates in many European countries. For example, recovery rates in Italy and Spain were very low as processors found it cheaper to buy German material.

In the UK a new newsprint mill in Aylesford, Kent, will be opened next year with expected demand for an additional 400,000 tonnes of old newspapers a year. Britain consumes 12m tonnes of paper and board products a year. But it collects only 3.5m tonnes of material for recycling. "Even with a conservative recovery rate of 50 per cent, we ought to be recycling 6m tonnes a year, so there is a lot to go at," says West.

October increases are expected to push the UK market between 7 per cent and 9 per cent higher. West expects the price rises to prompt higher recycling rates in many European countries. For example, recovery rates in Italy and Spain were very low as processors found it cheaper to buy German material.

In the UK a new newsprint mill in Aylesford, Kent, will be opened next year with expected demand for an additional 400,000 tonnes of old newspapers a year. Britain consumes 12m tonnes of paper and board products a year. But it collects only 3.5m tonnes of material for recycling. "Even with a conservative recovery rate of 50 per cent, we ought to be recycling 6m tonnes a year, so there is a lot to go at," says West.

October increases are expected to push the UK market between 7 per cent and 9 per cent higher. West expects the price rises to prompt higher recycling rates in many European countries. For example, recovery rates in Italy and Spain were very low as processors found it cheaper to buy German material.

In the UK a new newsprint mill in Aylesford, Kent, will be opened next year with expected demand for an additional 400,000 tonnes of old newspapers a year. Britain consumes 12m tonnes of paper and board products a year. But it collects only 3.5m tonnes of material for recycling. "Even with a conservative recovery rate of 50 per cent, we ought to be recycling 6m tonnes a year, so there is a lot to go at," says West.

Backing for food process

Frances Williams on irradiation

The World Health Organisation has given strong backing to the controversial technique of food irradiation.

It concludes in a study* that there is no evidence of any extra health risk associated with the process and the health benefits could be substantial. "As long as requirements for good manufacturing practice are implemented, food irradiation is safe and effective," the study says.

Food irradiation involves bombarding products such as spices, meat, poultry and potatoes with ionising rays or electrons. This destroys insects and bacteria, making the food safer to eat and delaying spoilage.

The WHO effectively scotches most consumer concerns about eating "irradiated" food. Food irradiation does not increase the incidence of toxic radiolytic chemical substances. It does not generate "measurable" additional radioactivity, and it is not capable of producing mutant bacteria or viruses.

Nor does food irradiation destroy nutrients more than any other processing. Compared with the loss of nutrients through cooking the loss through food irradiation "is really minimal", says Gerald Moy of the WHO's Food Safety Unit.

Food irradiation holds the promise of big health gains, the WHO believes. In developing countries, up to 70 per cent of diarrhoeal diseases, which cause about a quarter of all deaths, are thought to be food transmitted.

In the US, there are between 24m and 82m cases of food-borne disease every year, with some 10,000 deaths. An outbreak last year of illness caused by undercooked hamburgers killed four children and put nearly 200 people in hospital.

*Safety and nutritional adequacy of irradiated food. Distribution and Sales Service, WHO, Geneva, ISBN 92 4 156162 2.

From negative to positive

Prices in Europe have recovered sharply, says Deborah Hargreaves

beginning of the year to 122 in August as consumption has increased by 8 per cent. Prices in continental Europe have risen even faster with increases for many grades of between 70 per cent and 100 per cent.

"We have gone from huge surpluses to huge shortages," said Gerry West, sales director of Severaside Waste Paper in Cardiff, which is part of the St Regis group.

Although shortages have eased slightly in the past couple of months, West points to the low levels of stock carried by Euro-

pean paper mills as a measure of tight supplies. He reckons that stocks in the UK were generally at 80,000 tonnes in mid-September compared with the usual 150,000 tonnes.

Waste paper prices are to a large extent following the dramatic increases in the virgin pulp market. At the same time, demand from Asian importers has sneaked waste paper out of Europe.

German waste collectors are also not exporting so much to other European mar-

kets and concentrating on developing processing capacity at home.

"In the past couple of years, German recycling laws had encouraged the collection of large amounts of old paper and the country had little capacity to handle it," says Benedict Southworth, campaigner at Friends of the Earth. "So it was virtually given away on the European market, forcing down prices," he adds.

The rise in the waste paper market is leading to a hike in newsprint prices as

ALFA ROMEO
164
LEADING EDGE

Cuore Sportivo

Handwritten text in a box: 10/10/94

MANAGEMENT

John Willman starts a series on public services with a success story at Camden benefits office

Reaping the benefits



Public services management

The customer comes first" is a philosophy that most service organisations aspire to. But making it a reality in public services is a task that has defeated many managers, particularly in inner cities where the welfare state picks up some of society's most intractable problems.

Yet Camden, the north London borough with an indifferent reputation for its services and more than its fair share of social deprivation, boasts the best-run local authority benefits office in the country.

The Audit Commission, the local government watchdog, last year cited the council's benefits office as a model of good practice in a study which found that only a third of councils administered benefits well. This week it received a further accolade in the form of a chartermark, one of the government's awards for good public service. Camden includes some of the

most prosperous north London districts, including Hampstead and Bloomsbury. But much of the rest of the borough is run-down, inner-city estates, with almost half of all households relying on benefits to pay their rent or council tax. Last year, the office dealt with more than 56,000 claims and paid out almost £120m in benefits.

"If Camden with all its inner-city problems can deliver good quality standards, one must ask why other councils can't," says the Audit Commission's Doug Edmunds.

Much of the credit for the borough's outstanding performance goes to Bridget Cumiskey, Camden's chief benefits officer. A former bank cashier, she confesses to a "passion for service".

"People coming in here already have problems," says Cumiskey. "They are unemployed, they're pensioners dependent on benefits, they are families living on low pay. It's not our job to make those problems worse. We can be the difference between misery and helping people to feel good about themselves and

beginning to solve their problems." Camden's mission statement is to pay the correct amount of benefit, on time, and with courtesy and respect. They are principles the office organises to achieve.

Applicants are seen within 15 minutes of arriving. They are interviewed in privacy and escorted back to the exit - normally within 30 minutes of arrival. Most benefit payments are processed in 14 days, with the remaining 5 per cent completed in a further five days.

Success in meeting these targets means Camden has no need for the large waiting rooms that are typical of many inner-city benefits offices. Nor does it need security glass to protect its staff.

The reception rarely has more than a dozen people waiting, and all interviews are conducted face to face around a table. "If you treat people with respect and in a pleasant manner, there is no need to put up barriers," says Cumiskey. "If you keep customers waiting for two or three hours, it's not surprising that they get angry. I just won't tolerate backlogs.

My job descriptions are flexible, and I can transfer staff very quickly between teams to deal with problems. Sometimes we'll use Saturday working to clear backlogs, but we also try to avoid burning staff out through institutionalised overtime."

All this has been achieved for costs lower than those at similar councils offering a far worse service. "We save money by getting things right first time," says Cumiskey. "If you have delays and backlogs of work, people get desperate and telephone, write letters or come in. Staff dealing with such inquiries are not doing the job of paying the benefits."

Camden also takes care to make sure that money isn't paid out to people who shouldn't get it. "The borough is ranked third in the country on fraud detection, saving more than £2m last year.

Until recently, there was little incentive for councils to tackle fraud - most of the cost of housing benefit is paid for by the government. But Cumiskey successfully helped lobby the Treasury to let

local authorities keep a share of savings from fraud detection. Camden's share last year was £280,000.

There is no profound secret behind Camden's success, according to one observer. Cumiskey sets the staff clear targets and makes sure they are met. Rather than administering benefit in the traditional local authority way, she manages the office, he says.

Some of that can be put down to training. During her 27 years with Camden, Cumiskey has been on several management courses. But she is clearly a born manager, who instinctively knows how to get the best out of people.

Her own explanation is rather more modest. She reckons that much of what she does reflects what she saw during the 1970s as chairman of the local branch of Nalco, the local government union: "I dealt with managers throughout the council, and learnt very quickly how not to manage. It gave me the confidence that I knew as much as they did about management."



"We save money by getting things right first time," says Camden's Cumiskey

British women employees whose babies were due on or after 16 October are entitled to new legal rights and benefits during their maternity leave from work.

All women now have a statutory right to at least 14 weeks' leave regardless of length of service or hours of work.

The new maternity rights also guarantee protection against dismissal and the right to alternative work or suspension with full pay if continuing in the job is harmful to health.

The changes are intended to bring UK law into line with the European Union directive on the health and safety of pregnant women agreed two years ago.

How much leave is a woman entitled to? Maternity leave entitlements for full-time women staff, who have at least two years' continuous service with their employer, and part-time women with five years' service, who work fewer than 16 hours a week but more than eight, have not changed. Everybody else gets 14 weeks.

How much maternity pay is a woman entitled to?

Women who have worked for the same employer at least 26 weeks prior to the 12 weeks before the baby's expected delivery date and earn at least £57 a week or more on average qualify for up to a maximum of 18 weeks' pay.

The pay entitlement for the first six weeks is 90 per cent of the woman's average earnings and £52.50 for up to a further 12 weeks. Women who qualify for only 14 weeks' maternity leave (full-time

Who gets what from the maternity provisions

New rights for women on leave bring the UK into line with European law. Robert Taylor looks at the changes

employees who have not worked in continuous employment for two years and part-time employees who have not completed five years' continuous service) and therefore return to work on or before the end of the 14th week do not receive the last four weeks of SMP.

Are there some companies who already provide longer leave?

One in four employers already provide more than the statutory minimum. Some allow periods of up to 52 weeks' leave. These include Abbey National, British Gas, the civil service and the national health service.

Do some employers pay more than the statutory figure?

A growing number of companies also pay more than the statutory maternity pay. Marks and Spencer, Rover car group, Amersham International and BP Bulmer pay 100 per cent of previous earnings for the first six weeks of maternity leave.

How much will this cost employers?

The cost to employers of the new maternity rights has been set at £85m a year, 0.03 per cent of the total national wage bill, or £230 per expectant mother receiving maternity benefits. Employers are being reimbursed by the state for up to 90 per cent of the cost of maternity leave pay from 4 September. Small companies - those who pay £20,000 or less a year in gross national insurance contributions - are fully reimbursed.

What happens to the other provisions in a woman's contract?

All women on maternity leave continue to benefit from all the terms and conditions of their contract (including holiday entitlement, pension rights and company car) except for their normal pay.

Are women protected from unfair dismissal?

The new legislation's guarantee of protection against dismissal means that

all women on maternity leave who are subsequently dismissed must be given written reasons. There are no set limits on the damages an industrial tribunal can award if a pregnant woman is unfairly dismissed.

How will the new health and safety regulations affect employers and employees?

Health and safety rights have been introduced to protect pregnant women, women who have recently given birth or are breast feeding. An employer is now required to carry out a risk assessment of working conditions and take whatever preventable action is reasonable. The law also states that where a risk to a woman's health is suspected and no alternative work is available, an employer must suspend the employee on full pay. The regulations are being revised at present by the Health and Safety Executive.

If suitable alternative work is available

but not offered or a woman is suspended without full pay, she can gain access to an industrial tribunal.

How can women claim their new rights?

To aid employers' planning of employment needs pregnant women have to follow a procedure to claim any of the new maternity rights. If the procedure is not adhered to they will lose entitlements.

A woman must give at least 21 days' notice to the employer of the date when she intends to start her period of leave (the notice need only be in writing if the employer insists). Maternity leave can begin 11 weeks before the expected week of childbirth. To receive SMP, 21 days' notice before beginning leave is required. A copy of the maternity certificate (MAT B1) must also be sent to the employer.

What steps does a woman employee take to return to work?

The employer may ask for confirmation of intention to return to work eleven weeks after the start of the maternity leave. A reply in writing must be given within 14 days. At least 21 days' before intention to return to work the employer should be informed of the exact date of return. An extension beyond the 29 weeks' leave is allowed if a woman is ill. She must inform the employer of illness and supply a medical certificate. Employers can also delay return by four weeks, but must give reasons.

What are the main problems with the new rights?

All women are entitled to 14 weeks' maternity leave and only some women are

entitled to 18 weeks' statutory maternity pay. The Department of Employment calculated that bringing the two into line would add £50m to annual business costs.

If a woman is absent sick before her planned maternity leave begins, but this is a pregnancy-related illness and occurs on or after the sixth week before the expected week of confinement, maternity leave is automatically triggered. Some believe this is confusing, too arbitrary and punitive.

Can a woman have her old job when coming back to work?

A woman is entitled to return to the same job she had before she went on maternity leave on no less favourable terms and conditions of employment. However, she may request to work on a part-time rather than full-time basis.

Who is not covered by the new regulations?

An estimated 2.5m women or 20 per cent of the female labour force who earn less than £57 a week fail to qualify for statutory maternity pay. Any woman who has not been in continuous service with the same employer for 26 weeks will not qualify.

How does UK maternity leave provision compare with the rest of western Europe?

British women receive the lowest level of maternity pay in the EU with only up to 14 per cent having their statutory entitlement topped up by employers. In Denmark women receive 32 weeks on full pay during their maternity leave while in Germany women receive full pay for 14 weeks and Italy for 17 weeks.

PEOPLE

Senior planner joins Housing Corporation

Pam Alexander, 40, below, who has worked in the Department of the Environment since 1976, has been put in charge of managing the Housing Corporation's £1.5bn development programme. She will take up her new post in January 1995.

Alexander, who has headed the DoE's Housing Associations division since January



1992, has been appointed deputy chief executive (operations).

She replaces Greg Lomax who left in August to be chief executive of Thamesmead, a former GLC estate in south east London, which was sold to a private company in 1988.

At the DoE Alexander has been responsible for planning and monitoring the Housing Corporation's programme of capital and revenue grants, as well as advising ministers on policies affecting housing associations and the corporation.

In her new job she will be responsible for overseeing the work of the new housing management and research division and supervising the regional offices, as well as managing the corporation's advanced development programme.

The Housing Corporation channels government money into building around 60,000 homes a year for those in housing need.

Geoff Mitchell, 48, the Housing Corporation's director of operations, is taking early retirement in April 1995, after 21 years at the corporation. His department is being merged with Derek King's programme division. King will head up the combined unit which will be renamed the investment division.

Donald Main, former finance director of Forte who retires at the end of the year, has joined the management board of the North British Housing Association, the UK's largest housing association.

He will be standing down from his post as an independent director of Funding for Homes, an investment vehicle for housing associations, of which North British is a member.

He hopes to use his financial expertise to help North British attract more investment from the private sector to offset the decline in government funding.

Fresh finance function at Argyll group

Supermarket group Argyll, owner of the Safeway chain, has held back from appointing a group finance director to replace Colin Smith, promoted to group chief executive earlier this year, but is appointing a chief financial officer.

He is Simon Laffin, 35, previously group financial controller, who has been taking joint responsibility for financial affairs with Colin Smith since the latter's elevation.

"Although Simon has not taken on the job title of group finance director, he has effectively assumed most of the duties formerly undertaken by Colin Smith," says Argyll.

Laffin is also taking over as finance director of Safeway

Stores - now the dominant part of the group, since the recent sale of Argyll's Lo-Cost discount chain - in place of Nairn Glen, who moves to become director of financial control of Safeway. Argyll is currently carrying out a strategic review of all its businesses, which may result in some further changes in management responsibilities.

Analysts believe Laffin is being groomed for the title of group FD and a seat on the board in due course.

He joined Argyll as financial controller in 1990, after holding senior financial positions with Marks. He is an associate of the Institute of Chartered Management Accountants.

Swiss Bank executive to SIB

The Securities and Investments Board has appointed on a two-year secondment Tim Shephard-Welwyn, most recently chief operating officer of Swiss Bank Corporation's Hong Kong business, to a newly created post of adviser on international affairs.

Shephard-Welwyn, formerly a Bank of England official, was recruited to SBC in 1987 by Andrew Large, former head of SBC in London and now chairman of the SIB. The SIB says it approached several investment banks seeking a candidate, and that only SBC was interested.

His duties will include co-ordinating the SIB's relationships with other securities regulators.

He will also be considering the ticklish issue of devising a regulatory structure for London which allows it to keep its pole position at a time of increasing internationalisation of securities markets.

SBC has recently attracted hostility from London's investment banking community for suggesting that it is time to change some of the clubby rules on underwriting and trading securities, arguing that London risks its international standing if it fails to do so.

But Shephard-Welwyn says he has no intention of using his position to advance SBC's interests.

Salomon Brothers boosts energy sector coverage by board appointment

Salomon Brothers has boosted its presence in the energy sector by poaching David Cockburn from Lehman Brothers, where he has been head of European Energy and Natural Resources since 1989.

As an indication of the importance attached by Salomon to this expansion in the energy sector, Salomon has created a seat on the board for Cockburn.

He is to be director of investment banking in London, with

responsibility for the energy sector in Europe, the Middle East, Africa and the former Soviet Union.

The firm said yesterday that it also plans to take on another analyst for the sector before the end of the year.

Cockburn will be a senior member of Salomon Brothers' global energy and chemicals group, which provides capital-raising and advisory services to clients in Asia and Latin America as well as Europe and

North America.

A graduate of St John's College, Cambridge, he began his career in 1976 as a lawyer at Slaughter & May, before joining Schroders in 1984, where he was responsible for energy financing.

Sanlo Blauht, formerly general manager of international operations for BANCO DO BRASIL, becomes managing director and chief executive of BB Securities, London.

Heading
for
Florence
?
Burst
the bubble.

Choose from two direct flights a day.

Admit it: flying to Florence, you've most likely been taken in by other airlines, with rigid schedules to alternative airports. But now there is a real choice. Because now there is Meridiana. With us you can choose between two flights taking you non-stop to the heart of Florence, at the times that suit you better. On board: our exclusive Award Winning Electra Club, where you are our personal focus of attention. Your favorite newspaper, the best of Italian cuisine, much more legroom than other airlines. And a more relaxing seat. A totally different style of travel, the way flying was meant to be - The Meridiana Style. You can also enjoy it on our daily direct flight to Verona. For more details, please phone Meridiana on 071-8392222.

From	To	Departure	Arrival	Frequency
London	Florence	09.55	13.10	123456.
London	Florence	19.40	22.55	123457.
Florence	London	07.50	09.15	123456.
Florence	London	17.40	18.55	123457.

Meridiana
Your Private Airline

BARI, BIRMINGHAM, BOLOGNA, CAGLIARI, CANNES, FLORENCE, GENEVA, LONDON, LYONS, MILAN, MONTECARLO, NAPLES, NICE, PALERMO, PISA, ROME, TURIN, VIENNA, ZURICH

INFORMATION FROM THE BANK OF ENGLAND



ISSUE OF £2,500,000,000

8% TREASURY STOCK 2000

INTEREST PAYABLE HALF-YEARLY ON 7 JUNE AND 7 DECEMBER
FOR AUCTION ON A BID PRICE BASIS ON 26 OCTOBER 1994

PAYABLE IN FULL WITH APPLICATION

With a competitive bid
With a non-competitive bid

Price bid
£100 per £100 nominal of Stock

This Stock will, on issue, be an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the London Stock Exchange for the Stock to be admitted to the Official List on 27 October 1994.

1. THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND invite bids for the above Stock.

2. The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

3. The Stock will be repaid at par on 7 December 2000.

4. The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Stock registered at the Bank of England held for the account of members of the Central Gilts Office (CGO) Service will also be transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1963 and the relevant subordinate legislation. Transfers will be free of stamp duty.

5. Interest will be payable half-yearly on 7 June and 7 December. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post. Interest will accrue from Thursday, 27 October 1994 and the first interest payment will be made on 7 June 1995 at the rate of £4.8877 per £100 nominal of Stock.

6. The Stock may be held on the National Savings Stock Register.

7. The Stock and the interest payable thereon will be exempt from all United Kingdom taxation, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

8. Further, the interest payable on the Stock will be exempt from United Kingdom income tax, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

9. For the purposes of the preceding paragraphs, persons are not ordinarily resident in the United Kingdom if they are regarded as not ordinarily resident for the purposes of United Kingdom income tax.

10. Applications for exemption from United Kingdom income tax should be made in such form as may be required by the Commissioners of Inland Revenue. The appropriate forms may be obtained from the Inspector of Foreign Dividends, Inland Revenue, Lywood Road, Thames Ditton, Surrey, KT7 0DP.

11. These exemptions will not entitle a person to claim repayment of tax deducted from interest unless the claim to such repayment is made within the time limit provided for such claims under income tax law; under the provisions of the Taxes Management Act 1970, Section 43 (1), no such claim will be outside this time limit if it is made within six years from the date on which the interest is payable. In addition, these exemptions will not apply so as to exclude the interest from any computation for taxation purposes of the profits of any trade or business carried on in the United Kingdom. Moreover, the allowance of the exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons domiciled, resident or ordinarily resident in the United Kingdom, and, in particular, the interest will not be exempt from income tax where, under any such provision, it falls to be treated for the purpose of the Income Tax Acts as income of any person resident or ordinarily resident in the United Kingdom.

Method of Application

12. Bids may be made on either a competitive or a non-competitive basis, as set out below, and must be submitted on the application form published with the prospectus. Each application form must comprise either one competitive bid or one non-competitive bid. Gilt-edged market makers may make competitive bids by telephone to the Bank of England not later than 10.00 am on Wednesday, 26 October 1994.

13. Application forms must be sent to the Bank of England, New Issues, PO Box 444, Gloucester, GL1 1NP to arrive not later than 10.00 AM ON WEDNESDAY, 26 OCTOBER 1994; or lodged by hand at the Central Gilts Office, Bank of England, Bank Buildings, 19 Old Jewry, London not later than 10.00 AM ON WEDNESDAY, 26 OCTOBER 1994; or lodged by hand at any of the Branches or Agencies of the Bank of England not later than 3.30 PM ON TUESDAY, 25 OCTOBER 1994. Bids will not be revocable between 10.00 am on Wednesday, 26 October 1994 and 10.00 am on Monday, 31 October 1994.

14. COMPETITIVE BIDS

(i) Each competitive bid must be for one amount and at one price expressed as a multiple of 1/32nd of £1 and must be for a minimum of £500,000 nominal of Stock and for a multiple of Stock as follows:-

Amount of Stock applied for	Multiple
£500,000-£1,000,000	£100,000
£1,000,000 or greater	£1,000,000

(ii) Unless the applicant is a member of the CGO Service, a separate cheque representing PAYMENT IN FULL AT THE PRICE BID must accompany each competitive bid. Cheques must be drawn on a branch or office, situated within the Town Clearing area, of a settlement member of CHAPS and Town Clearing Company Limited.

(iii) The Bank of England reserves the right to reject any competitive bid or part of any competitive bid. Competitive bids will be ranked in descending order of price and Stock will be sold to applicants whose competitive bids are at or above the lowest price at which the Bank of England decides that any competitive bid should be accepted (the lowest accepted price). **APPLICANTS WHOSE COMPETITIVE BIDS ARE ACCEPTED WILL PURCHASE STOCK AT THE PRICES WHICH THEY BID:** competitive bids which are accepted and which are made at prices above the lowest accepted price will be satisfied in full; competitive bids which are accepted and which are made at the lowest accepted price may be satisfied in full or in part only.

15. NON-COMPETITIVE BIDS

(i) A non-competitive bid must be for not less than £1,000 nominal and not more than £500,000 nominal of Stock, and must be for a multiple of £1,000 nominal of Stock.

(ii) Only one non-competitive bid may be submitted for the benefit of any one person, and each non-competitive application form may comprise only one non-competitive bid. Multiple applications or suspected multiple applications are liable to be rejected.

(iii) Unless the applicant is a member of the CGO Service, a separate cheque representing PAYMENT AT THE RATE OF £100 FOR EVERY £100 NOMINAL OF STOCK APPLIED FOR must accompany each non-competitive bid; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

(iv) The Bank of England reserves the right to reject any non-competitive bid. Non-competitive bids which are accepted will be accepted in full AT A PRICE (the non-competitive sale price) EQUAL TO THE AVERAGE OF THE PRICES AT WHICH COMPETITIVE BIDS HAVE BEEN ACCEPTED, the average being weighted by reference to the amount accepted at each price and ROUNDED DOWN TO THE NEAREST MULTIPLE OF 1/32ND OF £1.

(v) If the non-competitive sale price is less than £100 per £100 nominal of Stock, the balance of the amount paid will be refunded by cheque despatched by post at the risk of the applicant.

(vi) If the non-competitive sale price is greater than £100 per £100 nominal of Stock, applicants whose non-competitive bids are accepted may be required to make a further payment equal to the non-competitive sale price less £100 for every £100 nominal of Stock allocated to them. An applicant from whom a further payment is required will be notified by letter by the Bank of England of the amount of Stock allocated to him and of the further payment due, but such notification will confer no right on the applicant to transfer the amount of Stock so allocated. The despatch of allotment letters to applicants from whom a further payment is required will be delayed until such further payment has been made.

16. The Bank of England may sell less than the full amount of the Stock on offer at the auction.

17. The Stock will be initially issued at a price such that it will not be a deep discount security for the purposes of Schedule 4 to the Income and Corporation Taxes Act 1988. Further issues of the Stock may be at a deep discount (broadly, a discount exceeding 1/2% per annum) and in certain circumstances this could result in all of the Stock being treated thereafter as a deep discount security. However, it is the intention of Her Majesty's Treasury that further issues of the Stock will be conducted so as to prevent any of such Stock being treated as a deep discount security for United Kingdom tax purposes. Provided the Stock is neither a deep discount security, nor treated as a deep discount security, any discount to the nominal value at which the Stock is issued will not represent taxable income for the purposes of the relevant provisions.

18. Letters of allotment in respect of the Stock sold, being the only form in which the Stock (other than amounts held in the CGO Service for the account of members) may be transferred prior to registration, will be despatched by post at the risk of the applicant, but the despatch of any letter of allotment, and the refund of any excess amount paid, may at the discretion of the Bank of England be withheld until the applicant's cheque has been paid. In the event of such withholding, the applicant will be notified by letter by the Bank of England of the acceptance of his application and of the amount of Stock allocated to him, subject in each case to the payment of his cheque, but such notification will confer no right on the applicant to transfer the Stock so allocated.

19. No sale will be made of a less amount than £1,000 nominal of Stock. If an application is satisfied in part only, the excess amount paid will, when refunded, be remitted by cheque despatched by post at the risk of the applicant; if an application is rejected the amount paid on application will be returned likewise. Non-payment on presentation of a cheque in respect of any Stock sold will render such Stock liable to forfeiture. Interest at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1% per annum may, however, be charged on the amount payable in respect of any Stock for which payment is accepted after the due date. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for such payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate.

20. Letters of allotment may be split into denominations of multiples of £100 on written request to the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW received not later than 10 November 1994. Such requests must be signed and must be accompanied by the letters of allotment. Letters of allotment, accompanied by a completed registration form, may be lodged for registration forthwith and in any case must be lodged for registration not later than 14 November 1994; in the case of Stock held for the account of members of the CGO Service registration of Stock will be effected under separate arrangements.

21. Subject to the provisions governing membership of the CGO Service, a member of that Service may, by completing Section C of the application form, request that any Stock sold to him be credited direct to his account in the CGO on Thursday, 27 October 1994 by means of a member-to-member delivery from an account in the name of the Governor and Company of the Bank of England, Number 2 Account. Failure to accept such delivery by the deadline for member-to-member deliveries under the rules of the CGO Service on 27 October 1994 shall for the purposes of this prospectus constitute default in due payment of the amount payable in respect of the relevant Stock. A member of the CGO Service may also, subject to the provisions governing membership of that Service, surrender a letter of allotment to the CGO for cancellation and for the Stock comprised therein to be credited to the member's account. The member who is shown by the accounts of the CGO as being entitled to any Stock shall, to the exclusion of all persons previously entitled to such Stock and any person claiming any entitlement thereto, both be treated as entitled to such Stock as if that member were the holder of a letter of allotment and be liable for the payment of any amount due in respect of such Stock.

22. Application forms and copies of this prospectus may be obtained by post from the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW; at the Central Gilts Office, Bank of England, 1 Bank Buildings, Princes Street, London, EC2R 8EU or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyness Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; or at any office of the London Stock Exchange.

Government Statement

Attention is drawn to the statement issued by Her Majesty's Treasury on 29 May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the

conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON

18 October 1994

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/We apply in accordance with the terms of the prospectus for competitive and non-competitive bids dated 18 October 1994 as follows:-

FOR COMPETITIVE BIDS ONLY

(ie for Stock to be purchased at the price bid)

Nominal amount of 8% Treasury Stock 2000 applied for:
Amount of Stock applied for Multiple
£500,000-£1,000,000 £100,000
£1,000,000 or greater £1,000,000

Price bid per £100 nominal of Stock, being a multiple of 1/32nd of £1:

Sum enclosed (a), being the amount required for payment IN FULL AT THE PRICE BID for every £100 NOMINAL of Stock applied for:

FOR NON-COMPETITIVE BIDS ONLY

(ie for Stock to be purchased at the non-competitive sale price as defined in the prospectus)

Nominal amount of 8% Treasury Stock 2000 applied for, being a multiple of £1,000, with a minimum of £1,000 and a maximum of £500,000 nominal of Stock:

Sum enclosed (a), being £100 (b) for every £100 NOMINAL of Stock applied for:

FOR CGO MEMBERS ONLY

CGO PARTICIPANT NUMBER.....Tel No.....

Name of contact.....

THIS SECTION TO BE COMPLETED BY ALL APPLICANTS

I/We request that any letter of allotment in respect of Stock sold to me/us be sent by post at my/our risk to me/us at the address shown below.

IN THE CASE OF A NON-COMPETITIVE APPLICATION, I/we warrant that to my/our knowledge this is the only non-competitive application made for my/our benefit (or for the benefit of the persons on whose behalf I am/we are applying).

IN THE CASE OF AN APPLICATION BY A MEMBER OF THE CGO SERVICE WHO HAS COMPLETED SECTION C, we request that any Stock allocated to us be credited direct to our account at the CGO. We hereby irrevocably undertake to accept such Stock by member-to-member delivery through the CGO Service from the Governor and Company of the Bank of England, Number 2 Account (Participant number 5183) by the deadline for such deliveries on 27 October 1994, and we agree that the consideration to be input in respect of such delivery shall be the amount payable by us on the sale of such Stock in accordance with the terms of the prospectus.

Signature(S).....
Date..... of, or on behalf of, applicant

MR/MRS MISS/MS FORENAME(S) IN FULL SURNAME

FULL POSTAL ADDRESS

TOWN COUNTY POSTCODE

NATIONAL SAVINGS STOCK REGISTER: if you wish the Stock to be registered on the NATIONAL SAVINGS STOCK REGISTER (for which there is a limit of up to £25,000 nominal of Stock) please tick this box.

(a) A separate cheque must accompany each application. Cheques should be made payable to "Bank of England" and crossed "New Issues". In respect of competitive bids, cheques must be drawn on a branch or office, situated within the Town Clearing area, of a settlement member of CHAPS and Town Clearing Company Limited. In respect of non-competitive bids, cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

(b) The procedure for any refund, or further amount payable, is set out in the prospectus.

APPLICATION FORMS MUST BE SENT TO THE BANK OF ENGLAND, NEW ISSUES, PO BOX 444, GLOUCESTER, GL1 1NP TO ARRIVE NOT LATER THAN 10.00 AM ON WEDNESDAY, 26 OCTOBER 1994; OR LODGED BY HAND AT THE CENTRAL GILTS OFFICE, BANK OF ENGLAND, BANK BUILDINGS, 19 OLD JEWRY, LONDON NOT LATER THAN 10.00 AM ON WEDNESDAY, 26 OCTOBER 1994; OR LODGED BY HAND AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 PM ON TUESDAY, 25 OCTOBER 1994.

10/10/94

Television/Christopher Dunkley

News on a heartstring

The move towards soft-centred "human interest" journalism on television is unmistakable and yet the fear, expressed in this column as anxiously as anywhere, that such material would drive out tough, investigative journalism, especially on ITV, has, so far, proved empty. Indeed, if there is any ground left for such qualms it would seem to exist at the BBC more than ITV. True, the realisation that you could exploit "sexy" stories (which do not have to have anything to do with sex, the word being used in television to mean a cross between appealing and trendy) to attract big audiences in peak time at costs well below those for popular drama or other entertainment, happened to coincide in Britain with the demolition and reconstruction of ITV. The need for the new companies to make huge sums of money to pay for the government's dreadful franchise auction and Treasury levy in addition to dividends, and at the same time satisfy the demands of the Independent Television Commission not to banish all current affairs to the periphery, led to the prompt import of "infotainment" models from the US. But the BBC was not slow to follow suit: in fact it could be argued that today the BBC sets the pace.

Consider the schedules for tomorrow evening. At 8.00 BBC1 begins another instalment of *Children's Hospital*, a series which typifies the fashionable approach, being concerned with individual heartstring-tugging stories. Medicine is a - if not the - major catchment area for infotainment, and children, like animals, are a better bet than adults, being more helpless, more appealing, and

less likely to die. At 8.30 ITV screens *Blues And Blues*, one of several series which literally chase ambulances, in the hope that the cameras will come across a really nasty accident. At 10.00 we are promised that *Inside Story* on BBC1 will "lift the lid off cosmetic surgery". And at 11.05 Channel 4 offers *Prostitute* in which, we are told, we can meet Monica, mother of seven, who took up prostitution when her lover got into debt, and Agnes who treats the business as an office job. There can surely be no argument that there is far more material of this sort on British television today than there used to be, nor any denying that it represents a shift towards the tabloid.

However, on Monday last week, at 8.30, bang in the middle of peak time, ITV provided a classic *World In Action* report on a 30-year experiment in Britain to inject 2,000 slow-growing children with a hormone extracted from pituitary glands collected from bodies in hospital mortuaries. If it sounds like the plot from a Hammer movie, the outcome was not so very different: though the children did grow faster, they then began to die of Creutzfeldt-Jakob Disorder, the human version of "Mad Cow Disease". Perhaps this story has already been widely publicised in the medical press or even in consumer magazines or newspapers, but I had certainly not come across it. WIA investigated the way in which the pituitaries were collected, often by mortuary attendants who were paid 12p a gland, keeping the parts in a cupboard or on a window ledge until they had enough to send off.

It may be asked "How is this so very different from those other 'soft-centred' medical series?" The answer is that although WIA did interview individual sufferers, the programme's chief concern was to reveal the classically British manner in which the whole business has been kept under wraps. One patient said they had been "treated like morons" with doctors and civil servants being evasive and telling those affected as little as possible. Another said, with admirable moderation, "I think the whole thing has been very shabbily handled". It was an appalling story, and yet heartening to find television using its weight and influence in a classic piece of journalistic investigation.

The next day brought an edition of *Network First*, again on ITV, this time at 10.40 (surely not so terribly late for anyone really interested) called "The Secrets Of Porton Down" which produced even more important revelations. The programme showed how claims that Britain gave up "offensive" research to stick to the "defensive" type in the 1950s are, at best, disingenuous. It also showed how servicemen have, over many years, been lured to the centre for chemical and biological warfare research at Porton Down as guinea pigs. The word "lured" may seem loaded if you have not seen the commercial, shown on this programme, which was used to induce men to volunteer, a commercial which made Porton Down look, quite literally, like a holiday camp with the special attraction of topless women. The programme showed how at least one man died (his inquest was kept secret) and - via personal witness - how others have suffered. Asked why there had been no systematic



'Children's Hospital' on BBC1: medicine as the subject of 'infotainment' rather than investigative journalism

follow-up to check the after effects of these experiments, the head of Porton Down said there was no evidence of any need for such work... but how could there be without any follow-up?

Programmes of this sort send shivers of fear cutting around your heart as you realise how frighteningly easy it is for even democratic governments to mislead their electors, or simply to lie by omission. How many of us realised that our governments used our money at the Nancetuke biological and chemical warfare centre in Cornwall to

extend work on nerve gases begun in Nazi concentration camps? Perhaps we would approve, but how can we decide unless we know what is going on? And is the job of telling us not more important than keeping us up to date on French prostitutes?

Thursday brought yet another revealing programme, this time on Channel 4 where *Critical Eye* presented "Quick War, Slow Death". Here was yet another example of the passion among British authorities for keeping the citizen in the dark, wheeling out the Official Secrets Act at every opportunity,

ensuring that victims of a single problem cannot make common cause, and withholding fundamental human rights by denying the British a freedom of information act. This programme left you in no doubt, first, that a number of those involved in the Gulf War now suffer some form of long term illness (the Americans admitted it long ago) and, second, that British military and government authorities will go to startling and embarrassing lengths to avoid any admission of involvement.

Three programmes in one week may not be hugely significant, but they do seem to give the lie to my previous suggestions that the disappearance of such series as *This Week* and *First Tuesday* could mean a new ITV with no journalistic teeth. On the contrary, however unhealthy the relationship between government and franchise winners, ITV currently looks like much the most fierce champion in British television of the public right to know. And that, surely, makes up for an awful lot of ambulance chasing and cooing over little children.

Pop
Pink Floyd

Pink Floyd are the best of pop - and the worst. Currently filling Earl's Court for an unprecedented 14 nights, they are a mass of contradictions.

The songs evoke a druggy dream-world of hippie indolence a generation old, yet are programmed with a computerised precision that Captain Kirk would admire. The lyrics are often heavy with revolutionary fervour yet the band, or rather the three that survive, enjoy all the privileges of the ultra rich. The music encourages you to close your eyes and trip, yet everyone at the concert is tense and alert for the next mind blowing explosion of techno-trickery.

The Floyd long ago realised that their music was irredeemably archaic and that to survive they must become showmen. Lacking personalities, they sold their souls to the backroom boys: you leave the concert singing the special effects rather than the tracks from the new album, *The Division Bell*.

As you wait for the band to appear you are thrilled with bird song and a tolling tocsin; then comes the dry ice and the brilliant blinding spotlights and green and yellow laser beams. It is like being bombarded with innocuous friendly fire.

To help keep you awake during the many songs that meander into banality, a giant tumbourine-shaped screen offers helpful images of spiff-toting bestials, Cambridge colleges, and flying bedsteads, which just fail to make sense but are very decorative.

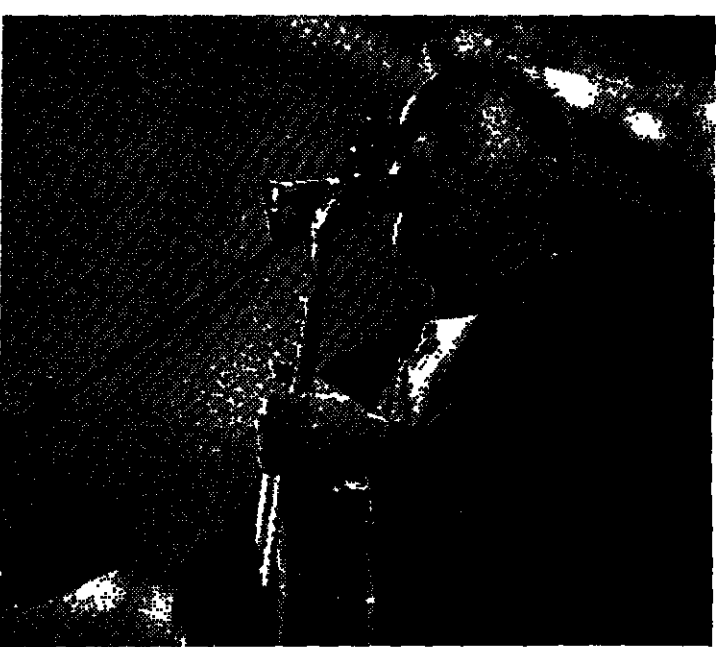
When the music lapses into especially monotonous doodling you know the Floyd have a cracker up their sleeves. Look out for the model aircraft screeching across the arena to explode near the stage; and there go the flares, pumping fire into the air again and again while the Floyd's moats, giant polystyrene pigs, poke their heads above the stage, eyes glaring the audience.

Occasionally the adrenalin shot comes from the music, from "The Wall", in which the three wailing girl backing singers break into brutal cockney, and an abusively sneering "Hey Teacher" breaks out in lights at the front of the stage. It all comes right near the end, too, when, against images of world-leaders slugging and slitting, priming and flouting and generally making fools of themselves, Pink Floyd play their 20-year-old classic, "Dark side of the moon".

What holds the show together is Dave Gilmour, the guitarist, who stands centre stage and bravely dispatches guitar riffs back through the decades. Like Rick Wright on keyboards and Nick Mason on drums Gilmour has a doppelgänger, a shadowy fellow musician who discreetly scans his foe, and pumps out the sound to pump mark ten. Despite the millions invested in the hardware at least the Floyd are professional enough to turn up.

The Floyd's success drives the critics mad: there must be something wrong when fans fawn on 50 year olds pumping out music unchanged since 1970. What is wrong is current pop. It is a safe bet that in a century's time audiences will sit in respectful approval at the re-creations of Pink Floyd concerts. There are very few other bands assured of such prospective immortality.

Antony Thorncroft



Holding the show together: Dave Gilmour

by Günter Krämer (0221-221 8400) Philharmonie Tomorrow: clarinetist Gloria Feldman and ensemble. More: Irish Folk Festival, Tues; Heydn's The Creation (0221-2801)

■ DRESDEN
Sempersper Tomorrow: Friedemann Layer conducts Dresden Staatskapelle in works by Schubert, Mozart and Schreker. Tomorrow: Ariadne auf Naxos. Fri: Die Zauberflöte. Sat: Staphan Thores' production of Frodo's ballet Romeo and Juliet. Sun morning, Mon and Tues evenings: Giuseppe Sinopoli conducts Dresden Staatskapelle in Bruckner's Eighth Symphony. Sun evening: La traviata (0351-484 2323)

■ FRANKFURT
Oper The second cycle of the Frankfurt Opera's Ring cycle began last night with Das Rheingold, and continues with Die Walküre tonight, Siegfried on Fri and Götterdämmerung on Sun. A third and final cycle begins next Tues. Sylvain Cambreling conducts a staging by Herbert Wernicke, and the cast is headed by Harald Stamm, Janis Martin and William Cochran (069-236001). Alte Oper Riccardo Muti conducts the Orchestra and Chorus of La Scala Milan in Verdi's Requiem on Sat, with soloists Michele Crister, Luciano d'Intino, Vincenzo La Scala and Roberto Scanduzzi. On Sun, Muti conducts Haydn's Symphony No 48 and Rossini's Stabat Mater. Shirley Bessy gives a concert on Mon (069-134 0400). Jahrhundertheater Hoechst A

touring production of the English-language musical Hair can be seen on Mon, Anet Ugozid is Prokofiev's ballet Romeo and Juliet. These are the first productions in the new opera house, which opened at the beginning of the month (031-131300)

■ HAMBURG
Staatsoper Tonight, Sat: Roberto Abbado conducts Andreas Homoki's new production of Figlietto, with cast headed by Franz Grundheber, Mario Giordani and Hellen Kwon. Tomorrow: Herze's ballet Undine, choreographed by John Neumeier. Fri, Sun: Così fan tutte. Tues: Hamburg Ballet Aida (040-351721)

■ LEIPZIG
Gewandhaus Tomorrow, Fri: Kurt Masur conducts Gewandhaus Orchestra in works by Beethoven, Turin and Mahler, with trumpet soloist Philip Smith. Sun: Justus Frantz conducts Middle German Radio Chamber Philharmonie in Haydn and Mendelssohn. Sun (Klein-Saenger) Concerto piano recital. Mon: Horst Förster conducts Leipzig Academic Orchestra in Vivaldi, Mozart and Haydn, with vocal and instrumental soloists (0341-713 2280)

■ LYON
Opéra Tonight, Sat: Kent Nagano conducts Louis Elto's new production of Beethoven's La Damselle de Faust, with Susan Graham, Thomas Moser and José van Dam (repeated Oct 30, Nov 2, 5, 8). Oct 31: Itzhak Perlman violin recital (tel 7200 4545 fax 7200 4546)

■ MUNICH
Gastalg Tonight: Bryan Ferry. Tomorrow: Enoch zu Guttenberg conducts Munich Bach Collegium in choral works by Bach and Mozart. Fri: Yevgeny Svetlanov conducts Russian State Symphony Orchestra in Tchaikovsky and Skryabin, with piano soloist Andrei Gavrilov. Mon: Justus Frantz conducts Middle German Radio Chamber Philharmonie in Haydn, Mozart and Mendelssohn. Tues: Fabio Luisi conducts Munich Radio Orchestra in concert performance of Giordano's

Fedora, starring Agnes Baltsa (052-4009 8014) Herkules der Residenz Tomorrow: Munich Chamber Orchestra plays works by Frank Martin, Hummel, Schnittke and Strauss, with viola soloist Kim Kashkashian. Mon: Valery Aronov piano recital (089-293901)

Staatsoper Tomorrow: Lucia di Lammermoor with Edita Gruberova and Dennis O'Neill. Fri, next Thurs: Nabucco with Renato Bruson and Julia Varady. Sat: Ashton's ballet La fille mal gardée. Sun, next Wed: Dvorak's Dimitri, with Kenneth Garrison and Livia Aghova. Tues: American ballet programme. Oct 31: first night of new production of Don Giovanni, conducted by Colin Davis and staged by Nicholas Hytner (089-221316)

■ NICE
Opéra A new production of Verdi's I due Foscari, conducted by John Mauceri and staged by Pier Luigi Pizzi, opens on Oct 28 for four performances with a cast headed by Paolo Boni and Nelly Micolu (0380 5983)

■ OSLO
Konsertmus Tomorrow, Fri: Jiri Belohlavek conducts Oslo Philharmonic Orchestra in works by Dvorak, Martinu and Beethoven (2223 3200)

■ STOCKHOLM
Konsertmus Tomorrow, Fri: Jiri Belohlavek conducts Oslo Philharmonic Orchestra in works by Dvorak, Martinu and Beethoven (2223 3200)

■ STUTTGART
Staatstheater Tomorrow: Achim Freyer's production of Der Freischütz. Fri: Rolf Rühm's new opera Das Schweigen der Sirenen. Sat, next Tues: Fri and Sat: John Carkner's ballet Oleg. Sun, next Wed: revival of Johannes Schaefer's production of Lady Macbeth of Mtsensk, starring Kathryn Harries. Next Mon, Thurs: Monteverdi's Ulisse (0711-221795)

■ THEATRE/Ian Shuttleworth

Rest of the action; chilling, vulture-headed, stilt-walking figures stalk the proceedings when the smell of death hangs in the air; more ridiculously, a ghost arrives on the stage on a bicycle.

Ben Thomas as Bubba BB has all the implausible dignity of a Charlton Heston; his underlying Santana - the storyteller within the play - is, in Colin McFarlane's performance, a beguiling mixture of inarticulate deference toward BB and confident fabulation toward the audience. A less fantastic show would be stolen by Don Warrington's Judge Bassy, the worm who finally turns.

Bandelette-Thomas's *Two Horsemen* transferred from the Gate to the Bush next month, and his *Bad Boys* is to be screened by the BBC; stories keep spilling from him, and judging by *Resurrections* outpourings from his well-spring are both flavoured and refreshing.

At the Cochrane Theatre until the November 29 (071 242 7040)

Theatre/Ian Shuttleworth
Resurrections

deducted in a haze of poetic circumlocution, where the very writing desk is alive, resting on the head of a mute maul. One of the characters describes the story he himself inhabits as "kafka on speed", which isn't too far from the truth.

Here, too, the dead routinely return to the living to offer advice, smooth their journey into the next world or even to re-write history. These ghosts carry no air of the extraordinary about them, but are simply an integral part of the fabric of things. Bandelette-Thomas has fashioned a potent West African counterpart to the creations of the Latin-American realists.

He is also an astounding teller of stories. The impulse to weave tales seems stronger than the desire to ensure that their fabric is smooth:

Worried that a visit to that new production at Covent Garden might turn out to be a nasty post-modern surprise? Just a short ride away on Monday one could see opera being performed as it used to be, most appropriately in London's museum quarter at South Kensington.

For a single night the Romanian National Opera was in town. With three operas in hand, the company is at present touring Britain on what is an ambitious itinerary given the costs involved in taking an orchestra, chorus and soloists overseas. Audiences are said to have been disappointed in some venues but there were no worries in London: a well-filled Royal Albert Hall greeted their rare staged performance in Britain of Verdi's *Nabucco*.

There have only been a few attempts to resurrect a "period" Verdi staging in the west, but in Romania they have no need to try. From contemporary reports it is safe to say that *Nabucco* in Verdi's day would have looked more like this dusty offering than a fashionably updated production, set in the present-day Middle East against a background of armoured tanks and oil wells, where the characters become power-mad dictators and hooded terrorists.

There is nothing like a bit of cheap spectacle. Colour-coordinated costumes (ruby red for bloodthirsty soldiers, green for homesick prisoners) ensure that every crowd scene will be a gaudy feast for the eye. Final tableaux are a speciality: soloists and chorus are happy to stand stock-still singing away for hours, but in the closing minutes of each act everybody will make a dash to take up their positions. Some dancing helps, too. Few generals are as fortunate as this Nabucco, who arrived with an army of comely dancing girls, each clad in little more than a body stocking and a strategically-placed big red tassel.

Altogether, it was a bit of a hoot, but in the Royal Albert Hall it will at least have come across as a visually bright production. The Romanian chorus and orchestra are on an average level with small equivalent companies in western Europe and the performance seemed well enough prepared, though the con-

ductor Cornel Trailescu might have brought more intensity to the high points of the drama.

For export, Romania's main hope is likely to be its singers. This cast included a moving Zaccaria in Pompei Harascanu and a tenor with some inebriated heft for Irmalee in Mihai Munteanu. Nicolae Urdareanu (the one with the big puffy nose) had enough voice for Nabucco, but proved shaky on style and intonation when required to sing a lyrical line. Melania Ghioaldă sounded confident about tackling Abigaille, although she lacked vocal claws in this gigas of a role. Most impressive was the mezzo of Ecaterina Tutu: the role of Fenena did not give her much to sing, but we shall no doubt hear more of her in the future.

Four concludes in Canterbury, October 18-22

Opera/Richard Fairman
A Romanian 'Nabucco'

ists and chorus are happy to stand stock-still singing away for hours, but in the closing minutes of each act everybody will make a dash to take up their positions. Some dancing helps, too. Few generals are as fortunate as this Nabucco, who arrived with an army of comely dancing girls, each clad in little more than a body stocking and a strategically-placed big red tassel.

Altogether, it was a bit of a hoot, but in the Royal Albert Hall it will at least have come across as a visually bright production. The Romanian chorus and orchestra are on an average level with small equivalent companies in western Europe and the performance seemed well enough prepared, though the con-

ductor Cornel Trailescu might have brought more intensity to the high points of the drama.

For export, Romania's main hope is likely to be its singers. This cast included a moving Zaccaria in Pompei Harascanu and a tenor with some inebriated heft for Irmalee in Mihai Munteanu. Nicolae Urdareanu (the one with the big puffy nose) had enough voice for Nabucco, but proved shaky on style and intonation when required to sing a lyrical line. Melania Ghioaldă sounded confident about tackling Abigaille, although she lacked vocal claws in this gigas of a role. Most impressive was the mezzo of Ecaterina Tutu: the role of Fenena did not give her much to sing, but we shall no doubt hear more of her in the future.

Four concludes in Canterbury, October 18-22

■ BONN
Oper Tonight, Sun, next Tues: Steven Mercurio conducts Jürgen Rose's new production of La traviata, with cast headed by Marisa Vitell, Michael Rees Davis and Thomas Mohr. Fri: Il guarany, opera by 19th century Brazilian composer Antonio Carlos Gomes. Sat: Les Contes d'Hoffmann (0228-773667)

■ BORDEAUX
Palais des Sports Tonight, tomorrow: Patrick Guillon conducts Orchestre National Bordeaux Aquitaine in piano concertos by Beethoven, Saint-Saëns and Rakhmaninov, with Cecile Ousset (0548 5854)

■ COLOGNE
Opernhaus Tonight, Fri: Lortzing's Der Wildschütz. Tomorrow, Sun: Handel's Agrippina. Sat: Peer Gynt choreographed by Jochen Ulrich (0221-221 8400) Halle Kalk Tonight, tomorrow, Fri: Shakespeare's King Lear, directed

by Günter Krämer (0221-221 8400) Philharmonie Tomorrow: clarinetist Gloria Feldman and ensemble. More: Irish Folk Festival, Tues; Heydn's The Creation (0221-2801)

■ DRESDEN
Sempersper Tomorrow: Friedemann Layer conducts Dresden Staatskapelle in works by Schubert, Mozart and Schreker. Tomorrow: Ariadne auf Naxos. Fri: Die Zauberflöte. Sat: Staphan Thores' production of Frodo's ballet Romeo and Juliet. Sun morning, Mon and Tues evenings: Giuseppe Sinopoli conducts Dresden Staatskapelle in Bruckner's Eighth Symphony. Sun evening: La traviata (0351-484 2323)

■ FRANKFURT
Oper The second cycle of the Frankfurt Opera's Ring cycle began last night with Das Rheingold, and continues with Die Walküre tonight, Siegfried on Fri and Götterdämmerung on Sun. A third and final cycle begins next Tues. Sylvain Cambreling conducts a staging by Herbert Wernicke, and the cast is headed by Harald Stamm, Janis Martin and William Cochran (069-236001). Alte Oper Riccardo Muti conducts the Orchestra and Chorus of La Scala Milan in Verdi's Requiem on Sat, with soloists Michele Crister, Luciano d'Intino, Vincenzo La Scala and Roberto Scanduzzi. On Sun, Muti conducts Haydn's Symphony No 48 and Rossini's Stabat Mater. Shirley Bessy gives a concert on Mon (069-134 0400). Jahrhundertheater Hoechst A

touring production of the English-language musical Hair can be seen on Mon, Anet Ugozid is Prokofiev's ballet Romeo and Juliet. These are the first productions in the new opera house, which opened at the beginning of the month (031-131300)

■ HAMBURG
Staatsoper Tonight, Sat: Roberto Abbado conducts Andreas Homoki's new production of Figlietto, with cast headed by Franz Grundheber, Mario Giordani and Hellen Kwon. Tomorrow: Herze's ballet Undine, choreographed by John Neumeier. Fri, Sun: Così fan tutte. Tues: Hamburg Ballet Aida (040-351721)

■ LEIPZIG
Gewandhaus Tomorrow, Fri: Kurt Masur conducts Gewandhaus Orchestra in works by Beethoven, Turin and Mahler, with trumpet soloist Philip Smith. Sun: Justus Frantz conducts Middle German Radio Chamber Philharmonie in Haydn and Mendelssohn. Sun (Klein-Saenger) Concerto piano recital. Mon: Horst Förster conducts Leipzig Academic Orchestra in Vivaldi, Mozart and Haydn, with vocal and instrumental soloists (0341-713 2280)

■ LYON
Opéra Tonight, Sat: Kent Nagano conducts Louis Elto's new production of Beethoven's La Damselle de Faust, with Susan Graham, Thomas Moser and José van Dam (repeated Oct 30, Nov 2, 5, 8). Oct 31: Itzhak Perlman violin recital (tel 7200 4545 fax 7200 4546)

■ MUNICH
Gastalg Tonight: Bryan Ferry. Tomorrow: Enoch zu Guttenberg conducts Munich Bach Collegium in choral works by Bach and Mozart. Fri: Yevgeny Svetlanov conducts Russian State Symphony Orchestra in Tchaikovsky and Skryabin, with piano soloist Andrei Gavrilov. Mon: Justus Frantz conducts Middle German Radio Chamber Philharmonie in Haydn, Mozart and Mendelssohn. Tues: Fabio Luisi conducts Munich Radio Orchestra in concert performance of Giordano's

Fedora, starring Agnes Baltsa (052-4009 8014) Herkules der Residenz Tomorrow: Munich Chamber Orchestra plays works by Frank Martin, Hummel, Schnittke and Strauss, with viola soloist Kim Kashkashian. Mon: Valery Aronov piano recital (089-293901)

Staatsoper Tomorrow: Lucia di Lammermoor with Edita Gruberova and Dennis O'Neill. Fri, next Thurs: Nabucco with Renato Bruson and Julia Varady. Sat: Ashton's ballet La fille mal gardée. Sun, next Wed: Dvorak's Dimitri, with Kenneth Garrison and Livia Aghova. Tues: American ballet programme. Oct 31: first night of new production of Don Giovanni, conducted by Colin Davis and staged by Nicholas Hytner (089-221316)

■ NICE
Opéra A new production of Verdi's I due Foscari, conducted by John Mauceri and staged by Pier Luigi Pizzi, opens on Oct 28 for four performances with a cast headed by Paolo Boni and Nelly Micolu (0380 5983)

■ OSLO
Konsertmus Tomorrow, Fri: Jiri Belohlavek conducts Oslo Philharmonic Orchestra in works by Dvorak, Martinu and Beethoven (2223 3200)

■ STOCKHOLM
Konsertmus Tomorrow, Fri: Jiri Belohlavek conducts Oslo Philharmonic Orchestra in works by Dvorak, Martinu and Beethoven (2223 3200)

■ STUTTGART
Staatstheater Tomorrow: Achim Freyer's production of Der Freischütz. Fri: Rolf Rühm's new opera Das Schweigen der Sirenen. Sat, next Tues: Fri and Sat: John Carkner's ballet Oleg. Sun, next Wed: revival of Johannes Schaefer's production of Lady Macbeth of Mtsensk, starring Kathryn Harries. Next Mon, Thurs: Monteverdi's Ulisse (0711-221795)

■ THEATRE/Ian Shuttleworth

Rest of the action; chilling, vulture-headed, stilt-walking figures stalk the proceedings when the smell of death hangs in the air; more ridiculously, a ghost arrives on the stage on a bicycle.

Ben Thomas as Bubba BB has all the implausible dignity of a Charlton Heston; his underlying Santana - the storyteller within the play - is, in Colin McFarlane's performance, a beguiling mixture of inarticulate deference toward BB and confident fabulation toward the audience. A less fantastic show would be stolen by Don Warrington's Judge Bassy, the worm who finally turns.

Bandelette-Thomas's *Two Horsemen* transferred from the Gate to the Bush next month, and his *Bad Boys* is to be screened by the BBC; stories keep spilling from him, and judging by *Resurrections* outpourings from his well-spring are both flavoured and refreshing.

At the Cochrane Theatre until the November 29 (071 242 7040)

INTERNATIONAL
ARTS
GUIDE

■ BONN

Oper Tonight, Sun, next Tues: Steven Mercurio conducts Jürgen Rose's new production of La traviata, with cast headed by Marisa Vitell, Michael Rees Davis and Thomas Mohr. Fri: Il guarany, opera by 19th century Brazilian composer Antonio Carlos Gomes. Sat: Les Contes d'Hoffmann (0228-773667)

■ BORDEAUX

Palais des Sports Tonight, tomorrow: Patrick Guillon conducts Orchestre National Bordeaux Aquitaine in piano concertos by Beethoven, Saint-Saëns and Rakhmaninov, with Cecile Ousset (0548 5854)

■ COLOGNE

Opernhaus Tonight, Fri: Lortzing's Der Wildschütz. Tomorrow, Sun: Handel's Agrippina. Sat: Peer Gynt choreographed by Jochen Ulrich (0221-221 8400) Halle Kalk Tonight, tomorrow, Fri: Shakespeare's King Lear, directed

by Günter Krämer (0221-221 8400) Philharmonie Tomorrow: clarinetist Gloria Feldman and ensemble. More: Irish Folk Festival, Tues; Heydn's The Creation (0221-2801)

■ DRESDEN
Sempersper Tomorrow: Friedemann Layer conducts Dresden Staatskapelle in works by Schubert, Mozart and Schreker. Tomorrow: Ariadne auf Naxos. Fri: Die Zauberflöte. Sat: Staphan Thores' production of Frodo's ballet Romeo and Juliet. Sun morning, Mon and Tues evenings: Giuseppe Sinopoli conducts Dresden Staatskapelle in Bruckner's Eighth Symphony. Sun evening: La traviata (0351-484 2323)

■ FRANKFURT
Oper The second cycle of the Frankfurt Opera's Ring cycle began last night with Das Rheingold, and continues with Die Walküre tonight, Siegfried on Fri and Götterdämmerung on Sun. A third and final cycle begins next Tues. Sylvain Cambreling conducts a staging by Herbert Wernicke, and the cast is headed by Harald Stamm, Janis Martin and William Cochran (069-236001). Alte Oper Riccardo Muti conducts the Orchestra and Chorus of La Scala Milan in Verdi's Requiem on Sat, with soloists Michele Crister, Luciano d'Intino, Vincenzo La Scala and Roberto Scanduzzi. On Sun, Muti conducts Haydn's Symphony No 48 and Rossini's Stabat Mater. Shirley Bessy gives a concert on Mon (069-134 0400). Jahrhundertheater Hoechst A

touring production of the English-language musical Hair can be seen on Mon, Anet Ugozid is Prokofiev's ballet Romeo and Juliet. These are the first productions in the new opera house, which opened at the beginning of the month (031-131300)

■ HAMBURG
Staatsoper Tonight, Sat: Roberto Abbado conducts Andreas Homoki's new production of Figlietto, with cast headed by Franz Grundheber, Mario Giordani and Hellen Kwon. Tomorrow: Herze's ballet Undine, choreographed by John Neumeier. Fri, Sun: Così fan tutte. Tues: Hamburg Ballet Aida (040-351721)

■ LEIPZIG
Gewandhaus Tomorrow, Fri: Kurt Masur conducts Gewandhaus Orchestra in works by Beethoven, Turin and Mahler, with trumpet soloist Philip Smith. Sun: Justus Frantz conducts Middle German Radio Chamber Philharmonie in Haydn and Mendelssohn. Sun (Klein-Saenger) Concerto piano recital. Mon: Horst Förster conducts Leipzig Academic Orchestra in Vivaldi, Mozart and Haydn, with vocal and instrumental soloists (0341-713 2280)

■ LYON
Opéra Tonight, Sat: Kent Nagano conducts Louis Elto's new production of Beethoven's La Damselle de Faust, with Susan Graham, Thomas Moser and José van Dam (repeated Oct 30, Nov 2, 5, 8). Oct 31: Itzhak Perlman violin recital (tel 7200 4545 fax 7200 4546)

■ MUNICH
Gastalg Tonight: Bryan Ferry. Tomorrow: Enoch zu Guttenberg conducts Munich Bach Collegium in choral works by Bach and Mozart. Fri: Yevgeny Svetlanov conducts Russian State Symphony Orchestra in Tchaikovsky and Skryabin, with piano soloist Andrei Gavrilov. Mon: Justus Frantz conducts Middle German Radio Chamber Philharmonie in Haydn, Mozart and Mendelssohn. Tues: Fabio Luisi conducts Munich Radio Orchestra in concert performance of Giordano's

Fedora, starring Agnes Baltsa (052-4009 8014) Herkules der Residenz Tomorrow: Munich Chamber Orchestra plays works by Frank Martin, Hummel, Schnittke and Strauss, with viola soloist Kim Kashkashian. Mon: Valery Aronov piano recital (089-293901)

Staatsoper Tomorrow: Lucia di Lammermoor with Edita Gruberova and Dennis O'Neill. Fri, next Thurs: Nabucco with Renato Bruson and Julia Varady. Sat: Ashton's ballet La fille mal gardée. Sun, next Wed: Dvorak's Dimitri, with Kenneth Garrison and Livia Aghova. Tues: American ballet programme. Oct 31: first night of new production of Don Giovanni, conducted by Colin Davis and staged by Nicholas Hytner (089-221316)

■ NICE
Opéra A new production of Verdi's I due Foscari, conducted by John Mauceri and staged by Pier Luigi Pizzi, opens on Oct 28 for four performances with a cast headed by Paolo Boni and Nelly Micolu (0380 5983)

■ OSLO
Konsertmus Tomorrow, Fri: Jiri Belohlavek conducts Oslo Philharmonic Orchestra in works by Dvorak, Martinu and Beethoven (2223 3200)

■ STOCKHOLM
Konsertmus Tomorrow, Fri: Jiri Belohlavek conducts Oslo Philharmonic Orchestra in works by Dvorak, Martinu and Beethoven (2223 3200)

■ STUTTGART
Staatstheater Tomorrow: Achim Freyer's production of Der Freischütz. Fri: Rolf Rühm's new opera Das Schweigen der Sirenen. Sat, next Tues: Fri and Sat: John Carkner's ballet Oleg. Sun, next Wed: revival of Johannes Schaefer's production of Lady Macbeth of Mtsensk, starring Kathryn Harries. Next Mon, Thurs: Monteverdi's Ulisse (0711-221795)

■ THEATRE/Ian Shuttleworth

Edward Mortimer



The phoney war

A more active strategy to get rid of Saddam Hussein is essential

The Kuwait crisis has already faded from the headlines. In retrospect the crisis appears rather phoney. Almost certainly, Mr Saddam Hussein had no intention of attacking Kuwait this time.

Yet the crisis was also real, because in this game "almost" is not good enough. A lot of people, after all, were almost certain he would not do it in 1990. As a result, the US put out confusing messages, which he misread as signs of weakness or indifference.

This time, if one judges by the Iraqi media, Mr Saddam had identified Mr Bill Clinton as "the hesitant president" on the basis of events in Somalia, Korea and Haiti. Well, Mr Saddam is not alone in that. Probably his objective was merely to stage a crisis, to which a "diplomatic solution", perhaps involving ex-president Jimmy Carter, would have to be found. But had Mr Clinton not sent troops to Kuwait, Mr Saddam could well have taken it as a sign that the US had no stomach for a second Gulf war, and forged ahead.

Now both sides are claiming victory. The US is apparently satisfied with the passage of yet another United Nations Security Council resolution, requiring Iraq not to deploy its troops in positions that enable it to threaten Kuwait and warning of "serious consequences" if it does. Mr Warren Christopher, US secretary of state, believes this gives the US "all the necessary authority to act" against Mr Saddam if he threatens Kuwait again. But this interpretation is contested by France and Russia. In Baghdad, official spokesmen and even some western diplomats believe the crisis has strengthened Iraq's position, by pushing the lifting of sanctions higher up the international agenda and bringing Russia back into the argument on Iraq's side.

Certainly the crisis revealed the existence of a broad coalition of business, diplomatic and humanitarian lobbies in favour of easing or lifting sanctions. These lobbies point out that Mr Saddam's removal (unlike that of General Raoul Cedras in Haiti) has never been called for by any UN resolution; and they argue that Iraq's compliance with the resolutions that have been passed

should be rewarded. This would supposedly relieve the needless suffering of the Iraqi people, while allowing western companies to win lucrative contracts and making it possible to build Iraq back into the regional security order, as a bulwark against the alleged Iranian threat.

Yet in reality none of those objectives is likely to be realised while Mr Saddam remains in power. His lack of concern for the suffering of ordinary Iraqi people is amply attested. Food and medical supplies are not covered by the sanctions.

The US will not agree to lift sanctions so long as Saddam remains in power

and Mr Saddam evidently has money he could spend on them if he so chose. More money could be raised for that purpose by selling oil under the terms of Security Council resolution 706, which specifically provides for it. If he is allowed to sell oil and spend the money as he likes, we can be sure he will have other priorities.

As for regional security, it is inconceivable that western or regional powers will again make the mistake of building up Mr Saddam as a bulwark against Iran. Even business opportunities would be limited by a continued arms embargo, by memories of what happened to foreigners in Iraq during the 1990 Kuwait crisis, and by general uncertainty about the stability of a regime so blatantly lacking any popular base, especially in the southern oil-producing region.

In any case, it is now clearer

than ever that the US will not agree to lift sanctions so long as Mr Saddam remains in power. Yet at the same time there is no guarantee that sanctions will remove him; and if they do he will not go quietly. Even Gen Cedras agreed to step down only when US troops were already on the way to force him out. Before that, he had done all he could to prove that sanctions were hurting the innocent Haitian masses more than they were hurting him.

Mr Saddam is doing the same, and he has other tricks up his sleeve. The faintest glimmer of Kuwait was one. The next could well be a new move against the Kurds in the north, starting perhaps with the area south of the 36th parallel which is not covered by the "no fly zone" and hoping that Turkey would refuse to authorise retaliation by western aircraft based on its soil.

The three-year-old US strategy of waiting for sanctions to work and reacting to Mr Saddam's provocations as and when they happen is not good enough. A more active strategy to get rid of him is essential, and should include some or all of the following elements:

- expanding the no-fly zone to cover all of Iraq, and excluding all aircraft and heavy artillery from both north and south;
- encouraging the opposition Iraqi National Congress to set up a provisional government in the exclusion zones, with financial and military support from Saudi Arabia and Kuwait;
- stating explicitly that sanctions will be lifted only if Iraq accepts Security Council resolution 688 (which correctly identifies Mr Saddam's internal repression as a threat to international peace and security and calls on him to stop it) and if UN human rights monitors are allowed throughout the country as recommended by the UN special rapporteur;
- lifting sanctions on areas controlled by the provisional government as soon as it accepts these conditions;
- setting up an international war crimes tribunal on the lines of that for Yugoslavia, and indicting Mr Saddam.

Such a programme would remove the ambiguity about the purpose and target of sanctions, and would make it clear, notably to the Iraqi armed forces, that the country can be saved from anarchy only by hastening Mr Saddam's downfall, not by delaying it.

Glorious, stirring sight! The poetry of motion! The real way to travel! Here today - in next week tomorrow! Villages skipped, towns and cities jumped - always somebody else's horizon! O bliss! O poop-poop! O my! O my!

Few have been so stirred by the romance of the open road as Mr Toad, the irrepressible hero of Kenneth Grahame's children's classic, *The Wind in the Willows*, on his first sight of a motor car. But 90 years on from Mr Toad's fictional adventures, this Elysian view of the car has dimmed as growing numbers of motorists take to the road.

Official forecasts suggest that the number of cars on Britain's roads could double by 2025. While the car remains a potent symbol of freedom, its economic and environmental costs are being weighed more carefully by the government.

This represents something of a change for the Conservative government. In 1979, Mrs Margaret Thatcher, then the newly-elected prime minister, urged that nothing should come in the way of "the great car economy".

Last week, Dr Brian Mawhinney, the new UK transport secretary, struck a different note in his address to the Tory party conference. He caught the headlines with a strong environmental attack on vehicle pollution, announcing tougher exhaust standards and roadside tests designed to take the worst polluting vehicles off the road. "I aim to get rid of these belching monsters once and for all," he told delegates.

Signs that the environmental arguments are beginning to count for more in UK transport policy have become apparent since the Rio Earth Summit in 1992 when the UK committed itself to producing a detailed environmental strategy.

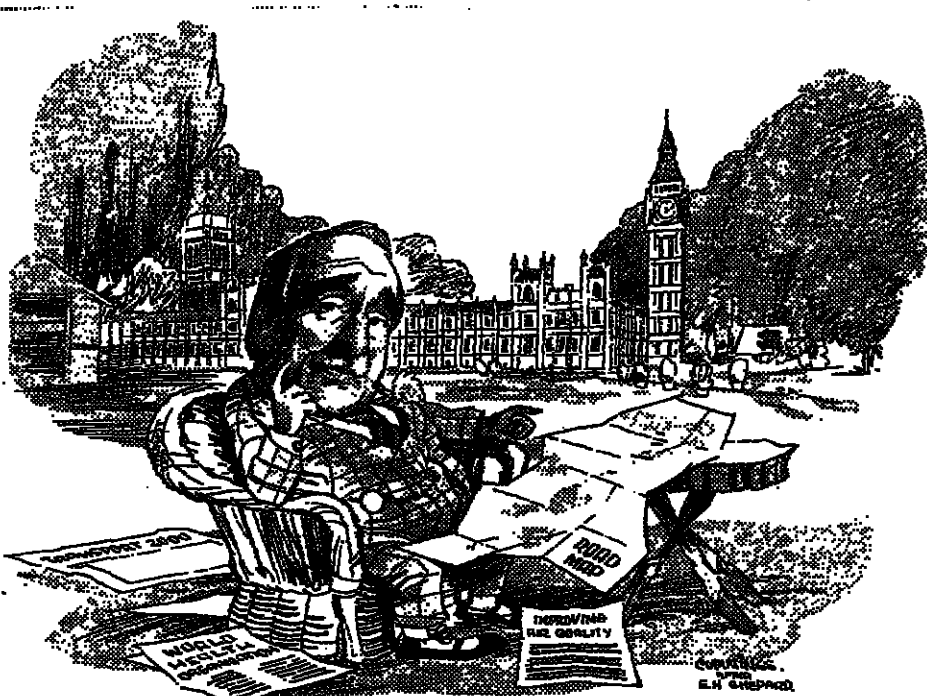
A recent environment department discussion paper, *Improving Air Quality*, identified the car as the number one source of pollution.

"In some areas of the UK, even where there is no significant industrial activity, high levels of air pollution can occur," the discussion paper stated. "In these areas, largely due to motor vehicle emissions, World Health Organisation guidelines (on pollution levels) are often exceeded."

The department concluded that the growing evidence of links between poor air quality and serious medical conditions such as asthma, the incidence

Charles Batchelor on the UK government's disenchantment with the 'great car economy'

Dying romance of the open road



of which is increasing particularly among children, demanded careful attention.

Further support for the environmental arguments against the internal combustion engine is expected to come next week when the Royal Commission on Environmental Pollution, announces the findings of a study into the environmental impact of Britain's traffic.

The 300-page report, the result of nearly two years' work by a 18-strong team of scientists and environmental experts, will make some 100 recommendations on how to deal with transport problems.

There will be a strong emphasis in the report on tax measures to curb car use, with a doubling of the price of petrol over the next 10 years singled out as one desirable aim. The government is already committed to increasing fuel duty by at least 5 per cent a year and is expected to raise it by considerably more in the November Budget. The aim of the report, according to Sir John Houghton, commission

chairman, "is not to clobber the car but to give much more serious consideration to environmental factors".

Air pollution is not the only environmental influence at work on transport policy. The visual impact of roads in ancient towns and the countryside gobbled up by tarmac have prompted a rethink.

Increasing environmental pressures were explicitly acknowledged last March when the government dropped or froze a third of the road schemes planned for the next 10 years after a review of the £23bn roads programme.

And pressure to reduce the roads programme further is likely to grow when the government publishes a new study, by the Standing Advisory Committee on Trunk Road Assessment, a government advisory body. This is believed to conclude that new roads generate extra traffic and fuel the cycle of road use and congestion.

Dr Mawhinney is under

strong pressure to publish the study as soon as possible, so its findings can be taken into account in public inquiries into proposed road schemes.

This new environmental emphasis in transport policy reflects the broadening coalition against road-building. When the groups ranged against the government's roads programme comprised environmental organisations such as Greenpeace and Friends of the Earth, they were dismissed as "single issue" lobbyists.

But increasingly, more establishment groups such as the Council for the Protection of Rural England and the Royal Institution of Chartered Surveyors have raised their voice against an unbridled expansion of road transport.

And Tory backbench MPs with constituencies threatened by new road-building have added their voices to the cause. As many as 35 Conservative MPs hold marginal seats that would be affected by proposed trunk road schemes, according to Friends of the Earth.

Financial pressures, too, are coming to bear on the road programme as the government seeks cuts in expenditure to reduce the public sector borrowing requirement.

One consequence of this tighter financial regime is a rethink of the way roads are financed. With the exception of a small number of bridges and tunnels which charge tolls, driving on Britain's roads has been free at the point of use.

By introducing tolls on motorways, the government would raise funds to improve the network and make drivers reconsider the attractions of public transport. The government is assessing proposals for a system of electronic tolls and is also looking at "congestion charging" - making motorists pay for driving in towns.

But it will be some years before tolling can produce a new source of income for roads. As an interim measure the government is attempting to bring private-sector expertise into the management of roads with contracts which require companies to build and manage roads in return for payments - shadow tolls - based on traffic volumes.

Environmental groups remain suspicious of the government's intentions. "We don't see any sense of urgency about questions such as traffic growth," said Ms Lynn Sloan, assistant director of Transport 2000, which lobbies for public transport.

As for Dr Mawhinney's stirring speech at last week's party conference, anti-road lobbyists point out that the roadside clampdown on polluters will last just two months and involves no new money.

Dr Mawhinney says that there is no unanimity about what constitutes an environmental transport policy.

For instance, many people in towns and villages blessed by a busy road want a by-pass but this worries environmental campaigners concerned at the loss of open countryside. And forcing motorists to pay the full cost of transport pollution and accidents - estimated at between £10bn and £20bn a year - would severely damage the economy by putting up transport costs. It would also disadvantage country dwellers who are more likely to vote conservative than those who live in cities.

Dr Mawhinney says his role is to balance the conflicting voices. But it is clear that, for a mix of environmental and financial reasons, the balance will be differently struck in the future.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Nationwide sale shows lessons to be learnt

From Mr Trevor Harvey

Sir, Andrew Taylor's article "Estate agents pay price of boom years" (October 13) gave members of the Nationwide Building Society useful information about why their estate agents' offices, bought at an average price of £400,000, were sold at a price of three for a pound and why, as a result of the directors' judgment, their accumulated funds are now £200m lower than they might otherwise have been.

While Nationwide's members are now informed, their power base is too diffuse for the directors to be held accountable in any effective sense. As a result of directors' decisions, Nationwide's balance sheet is arguably at least £200m weaker than it might otherwise have been. How are Nationwide's directors to be held accountable? The traditional reply of the proponents of the status quo is to point to the power of members to remove the retiring directors at the next annual general meeting.

The reality of life is that 97.5 per cent of Nationwide's members chose at the last AGM to act like pure consumers rather than members of a mutual organisation. They neither voted in the election of directors nor attended the AGM. Directors of building societies generally operate in an accountability vacuum and it is not really their fault. If members have given up on mutuality as an effective form of corporate governance, that needs to be recognised.

Selling for a pound what has cost £200m of somebody else's money to acquire is not very clever. What is even less clever is that the somebody else in question will not be bothered to do anything about it. The Treasury's review of current building society legislation, particularly in relation to the accountability of boards to members, will need to recognise the world as it really is if corporate governance within societies is to change and become effective.

Trevor Harvey, 42 Freemans Close, Stoke Poges, Bucks SL2 4ER

Coal contracts too short term

From Mr Peter Vincent

Sir, Michael Smith ("Private bidders' dash for coal", October 13) rightly points out how critical the future market for coal will be to the success of the preferred bidders.

By its very nature, coalmining needs long-term investment if it is to thrive. But investors expect a degree of certainty and, looking ahead, we see precious little of it. RJB Mining is effectively set to take over the remaining

English coal fields, and with them the bulk of contracts to supply power generators. But what will happen when these five-year contracts expire in 1998? In our view, 10 or 15-year contracts are needed, and unless these can be negotiated it is difficult to see there being any incentive for RJB Mining to put in the long-term investment the industry needs.

Without the certainty of such contracts, we fear there may be a temptation to focus

on immediate high value production at the expense of assets which need longer-term investment in order to be realised. This may be profitable in the short term, but it is really the best way of meeting the country's future energy needs?

Peter Vincent, chairman, minerals panel, Royal Institution of Chartered Surveyors, 12 Great George Street, Parliament Square, London SW1P 3AD

City advisers add vital dimension

From Mr C D Collins

Sir, I read with interest that certain leading company acquisition teams believe they "can do everything a merchant bank can do" ("No Adviser the magician's rival", October 11). Hanson has small teams in London, New York and now Hong Kong and we also believe in doing as much work as possible ourselves. However, our

company's founders were probably as knowledgeable on this subject as any in-house team, but never felt they could do without their "City advisers".

You acknowledge that banks must be used for flotations and takeovers, but there is another vital dimension - the generation of ideas. The City has an array of talent and specialisation which no in-house team

could hope to match. Help from banks is particularly relevant for expansion in unfamiliar geographical areas. As they are not charities, banks are not going to come up with ideas unless they are going to produce business.

C D Collins, director, corporate development, Hanson, 1 Grosvenor Place, London SW1

Muzak - an irritating and noisy distraction

From Mr Robert T Street

Sir, I was interested to read the article "Muzak to the ears" (October 13). Personally, I will always walk out of any shop, restaurant or hotel which uses so-called background music. I would also get off any aircraft doing the same thing. If it were possible without doing myself serious damage.

The whole point is that one has no control over this form of pollution. One cannot alter it, suppress it or, best of all, get rid of it entirely, except by going elsewhere.

Whatever Muzak or its British equivalent is labelled, it is noise - and noise which one

cannot switch off is not only an irritant, but likely to cause increased blood pressure, nervous exhaustion or worse in susceptible people.

To the misguided management of Mothercare, Harrods and other proponents of this insidious form of pollution, I would ask - do people visit their stores to hear music? No, they go there to view and perhaps buy. Why therefore distract them?

Robert T Street, 109 Oak Tree Road, Knaphill, Woking, Surrey, GU21 2SB

Balladur not answering for others

From Ms Carmel Fitzgerald

Sir, As usual, you exaggerate the excellence of French Prime Minister Edouard Balladur. He does not, as you would have him believe, say that he will "answer for those locked up in the Plantu cartoon which accompanied your article, 'Corruption rocks French ship of state' (October 17).

The unfortunate Mr Balladur actually says "Right, I'll call a register to see who's in the cink or otherwise indisposed". Not even the FT's Man of the Year answers for the corruption of his cabinet adjutants.

Carmel Fitzgerald, 16 rue Charles Demont, 78290 Croissy-les-Neiges, France

Basis of book market share

From Mr Bill McGrath

Sir, I am writing in response to Michael Goldman's comments (Letters, October 17) regarding Dillons' market share. The information I quoted related to six of the leading specialist bookselling chains (which are closely comparable with Dillons). Information on sales from these chains is consolidated by an independent company, Book Marketing, and reported to each chain on a weekly basis.

The latest information from Book Marketing shows Dillons' share of these chains has increased to 42.1 per cent. Book Marketing estimates that these chains constitute roughly 30 per cent of the overall retail book market - ie, excluding book clubs and institutional sales. The overall retail book market, on the same basis, is estimated at roughly £1.3bn, which is consistent with Dillons holding about 12 per cent of the retail book market.

Bill McGrath, chief executive, Pentos, Berwick House, 35 Livery Street, Birmingham B3 2PB



NOTHING'S MORE UNCERTAIN.

Sanctions contre Tokyo : Washington choisit la modération

Les Echos

NOTHING'S MORE RELIABLE.

FOR PEOPLE WHO MAKE DECISIONS EVERY DAY, ACCESS TO PRECISE AND COMPREHENSIVE

INFORMATION ON INTERNATIONAL ECONOMY AND MARKETS IS VITAL. THEY NEED THE

MOST RELIABLE SOURCE OF INFORMATION AVAILABLE. IN FRANCE, THEY READ

LES ECHOS, FRANCE'S LEADING BUSINESS NEWSPAPER. NOTHING'S MORE RELIABLE.

001100150

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Wednesday October 19 1994

Controlling state aids

The European Commission's powers to police government subsidies to industry are unique among the world's competition authorities. However, Brussels seems increasingly to be wielding a rubber stamp, not a truncheon. Last week, it waved through a FF1.1bn state aid-out of Bull, France's nationalised steelmaker, soon after blessing a FF2.0bn rescue of Air France.

Approval of these hand-outs is only the most visible sign of faltering enforcement. EU state aids have grown sharply since 1990, because of recession and subsidies by the German government to eastern Länder. But though the Commission has stepped up monitoring, it turned down last year barely 1 per cent of cases notified.

State aids are defensible if applied on a non-discriminatory basis for socially beneficial objectives, such as research and development. But when used to prop up lame ducks, support national champions or induce inward investments, they threaten serious economic damage. They shelter recipients from market disciplines, retard industrial adjustment and penalise efficient producers. In short, they are disguised trade barriers which threaten to fragment the single market.

The biggest flaw in existing EU controls is that they are too open to political manipulation. Upholding competition is not always the first priority of all commissioners involved in state aid decisions, above all when it means offending the governments which appoint them. Such conflicts of interest could be avoided by having all decisions to an independent European cartel office. Germany favours that solution, but opposition from other governments makes it unlikely to be adopted.

Steps can still be taken to strengthen enforcement. Making Commission proceedings more transparent would increase pressures on governments to fall into line. Brussels's criteria also need to be rationalised. Separate guidelines for excess-capacity industries, such as steel and cars, make for inconsistency, and are also sometimes overridden by competing regional policy goals.

Still more anomalous is the treaty requirement that aids to state and private companies be judged on the same basis. Not only does state ownership make it nearly impossible to know whether aid is being granted on commercial terms, but implicitly guaranteeing companies against bankruptcy, it undermines competition. Brussels should have the right to insist on privatisation as a condition for approving aid.

Yet state aid policy will remain an imperfect discipline, requiring bureaucrats to second-guess decisions by private investors and managers. The wisest policy is to minimise the need for intervention by strengthening the market. It is no coincidence that many European industries where state aids are common, such as airlines, steel, cars and textiles, are protected from international competition. Closed markets maximise the distortionary impact of subsidies; trade barriers only perpetuate governments' belief that funds poured into inefficient companies can continue to earn a return.

True, removing trade protection might temporarily increase the incentive to subsidise. In the longer term, however, the sustained pressure of competition would do more to spur industrial rationalisation - and to make apparent the true costs of subsidies - than any amount of policing by Brussels.

Without charge

Compared with Germany or other countries in central Europe, let alone those of the third world, the UK does not have a refugee problem. The number of asylum applications peaked in 1991 at 44,800, falling to 22,370 last year. Yet the British Home Office finds it necessary to hold a growing number of applicants - currently about 600 - in detention.

In a report published this week, and based on 50 cases selected at random, Amnesty International found an average of nearly five months' detention before release or expulsion. More than half those studied were detained for over four months. Also, more than half spent at least part of their detention in a criminal prison, in violation of international standards.

A separate study by the Medical Foundation for the Care of Victims of Torture deals with 47 detained asylum seekers examined by doctors from the foundation since January 1993. All claimed to have suffered torture in their own countries; all were found to be credible.

The most disturbing aspect of the system is that detainees are held without charge. In the great majority of cases the initial decision to detain is made by an immigration officer with only minimal training in asylum issues and no specialist knowledge of the political situation in countries from which refugees come. Yet there is no requirement, as there is for

people accused of crimes, that the detainee be brought before a court or independent review body within a fixed period of time.

The government says that detainees are told the reasons for detention. Yet many immigration officers seem to be unaware of this obligation. In any event no written statement of reasons is given. Some detainees (but not all) are eligible for bail. This, however, requires two persons willing to act as sureties by pledging a substantial sum of money. Even then, there is no presumption in favour of bail (as there is in criminal cases), and Home Office lawyers usually oppose it.

The ostensible reason for subjecting a small proportion of asylum seekers to this treatment is the fear that they would otherwise abscond. Yet seldom if ever is any reason given why some are more likely to do this than others. In 22 of the cases followed by Amnesty the person was eventually released before his/her case was resolved. Not one of these subsequently absconded.

No other EU country detains asylum seekers for such long periods, or without judicial process. As well as being expensive for the British taxpayer, the practice is contrary to international human rights law. The government should act promptly to ensure that asylum seekers, not accused of any crime, have at least the same rights as people who are.

N Korea on trust

Any assessment of North Korea's nuclear agreement with the US has to be tentative while the fine print remains shrouded in obscurity. Yet the outside world should start out by willing the accord to work.

It would be easy to dismiss the agreement on the grounds that it sets a poor precedent to reward a country - with aid and recognition - after it so willfully flouted the nuclear Non-Proliferation Treaty. It could still be years before North Korea is obliged to reveal the full extent of its nuclear weapons development. Meanwhile Pyongyang could still perfect the manufacture of bombs. In short, it seems in no way a reliable recipient of sensitive western technology.

Such arguments will doubtless appeal to hawkish politicians, especially in the US. But they must also consider the alternatives. No agreement of any sort would be possible without some trust in North Korea's good faith.

There are certainly risks in the present approach. It is far from clear whether North Korea will in practice agree to reopen bilateral talks with South Korea on de-nuclearisation, or that it will agree to spot inspection of its facilities. South Korea will have a long wait before it can feel secure. Yet these risks are small compared with those of allowing the status quo to continue. There would be little regional support for a policy of

confrontation, so economic sanctions would never stick.

The agreement has merit in giving the west leverage over Pyongyang. Concessions are to be phased in as a reward for good behaviour, with the establishment of a US liaison office in the North Korean capital - and the *de facto* recognition which that implies - coming late in the process.

Meanwhile, North Korea will become increasingly dependent on the west, needing oil imports during the switch to the new light-water technology and access to imports of enriched uranium thereafter. That should encourage it to open up its economy. Similarly, the fact that South Korea is to supply the nuclear equipment, and probably a large chunk of the finances as well, will give it influence in the North at a sensitive time of economic and political transition. It is in everybody's interest that that transition should be orderly.

By agreeing to the use of South Korean/US technology rather than that supplied by Russia and Germany, North Korea has made a considerable concession. This is perhaps the strongest indication of its desire to conclude an agreement that sticks. If so, it is also a sign that Mr Kim Jong-il, who seems formally about to take over North Korea's leadership, is seeking some kind of rapprochement. It would be foolish now to drive his country back into isolation.

As the bullet train from Osaka rounds its final curve into Tokyo's central station, a 60-foot-high neon map glows above the tracks, displaying the world's latest trading news from New York, London and Tokyo.

There could be no clearer icon of Tokyo's self-image as one of the three great financial capitals. But as a picture of reality, the map is beginning to look dated.

In the 1980s, few would have questioned Tokyo's membership of the exclusive trioka. Financial institutions flocked to the city, drawn by a vast pool of investment capital and the liberalisation of its markets.

Four years ago, the bubble economy collapsed, ending the period of spiralling asset prices in the late 1980s. But even then, the city remained a leading capital centre.

However, the long malaise that has gripped Tokyo's financial markets in the 1990s has finally laid bare its fundamental uncompetitiveness. And in the past year there has been a financial exodus from Japan's markets that has left Tokyo well behind its two older global competitors and threatens its position as the leading market in Asia.

The most tangible evidence of this is in the stock market. Last month, British Gas became the latest company to announce that it would delist from the Tokyo Stock Exchange. In the past three years, foreign companies have been signing off at the rate of one a month. In 1991, 127 foreign companies were listed in Tokyo. The departure of British Gas has reduced the total to 93 - and many of those left are considering joining the queue for the exit.

Most companies blame high costs. The price of a Tokyo listing is three to four times that in other leading markets, at ¥120 to ¥200 (\$26,000 to \$42,000) a year. As the volume of trading has declined, scores of foreign companies have come to regard that cost as unworkable.

Worse for Tokyo, Japanese investors and companies have discovered the attractions of other markets. The number of foreign purchases of Japanese shares in Tokyo has dwindled since 1992, while the value of Japanese shares traded in London has more than doubled. Even investors in Tokyo are choosing to buy and sell Japanese shares in London. Last year, for example, London accounted for nearly one-third of all the share trading in Matsushita, the electronics manufacturer.

But the loss of equity trading to London pales beside what many bankers and brokers in Tokyo regard as the main threat to its status: the shift from Japan to the other big financial capitals in Asia. While turnover on the Tokyo Stock Exchange has fallen by more than 25 per cent in three years, trading

Regional rivals hot on its heels

High fees and regulation are taking their toll on Tokyo's financial market, says Gerard Baker

has increased fivefold in Singapore and quadrupled in Hong Kong.

To buy shares in Tokyo, investors have to pay fees up to eight times higher than in the world's other leading financial centres. Japan still imposes a 0.3 per cent levy on all share transactions, and brokerage commissions are far higher.

In addition, Japan's regulatory environment has proved restrictive in some areas, proscribing some activities and attaching mountains of paperwork to others.

Companies hoping to list have to satisfy excessively tight capital and legal requirements and pass an endurance test of time-consuming procedures.

Trading in derivatives, complex instruments whose value is based in part on that of an underlying financial market, is primitive. Much of it is proscribed by arcane anti-gambling legislation.

And bond issuance is legally and financially restricted. For years, the euromarkets have been more attractive for raising funds through bonds denominated in yen. Moreover, there is an almost total absence of a secondary bond market, where bonds can be traded.

In contrast, Singapore and Hong Kong have built on their reputation for liberal regulatory frameworks, lower costs, less red tape, and a welcome for business.

In derivatives, Japan has been left standing by Simec, the Singapore futures exchange. This applies even in derivatives based on Japanese markets, such as futures contracts for the Nikkei 225, the principal Japanese stock market index.

Since 1991, the trading volume of Nikkei 225 futures contracts on the Osaka Stock Exchange, Japan's main futures market, has declined from 1.7m contracts a month to 440,000. In the same period, the Simec Nikkei 225 futures market, where trading costs are cheaper than in Osaka, has grown from 60,000 trades a month to 405,000. Simec is expected to overtake Osaka in volume later this year.

Expanding Asian companies looking to raise funds have also shunned Japan's markets. In the past year, at least 10 Chinese businesses have chosen to make their home at the Hong Kong Stock

Japan's financial markets: under pressure

Traded value on stock exchanges

Index

1990 91 92 93 94 Jan-Aug

— Tokyo — Hong Kong — Singapore

Nikkei 225

Contracts traded per month (millions)

— Osaka — Singapore

Source: Monthly Statistics, Tokyo Stock Exchange

Corporate bond issuance

\$bn (monthly averages)

1990 91 92 93 94 Jan-Aug

— Tokyo — Hong Kong — Singapore

Foreigners buying Japanese stocks

\$bn (monthly averages)

1990 91 92 93 94 Jan-Aug

— Tokyo (\$bn) — London (\$bn)

Source: Monthly Statistics, Tokyo Stock Exchange

Exchange rather than in Tokyo, despite the best efforts of the Japanese to lure them. And corporate bond issuance in Japan by companies in Asia has grown by just 25 per cent in the past three years, against a growth rate of several thousand per cent in Hong Kong.

Tokyo's failure to attract this business has led many foreign investment banks to cut their staff in Tokyo in the past year - in some cases to move them to Hong Kong and Singapore. Mr Peter Brutsche, vice-president of UBS Japan, the Tokyo arm of Union Bank of Switzerland, says urgent action is

needed: "Time is now crucial. The Japanese administration needs to act fast to stop the hemorrhage that plagues the financial industry."

Such sentiments have at last begun to unnerve the authorities. In the past few months, the Ministry of Finance's regulators have been alerted to the dangers, not only by domestic and foreign investors, but also by some bureaucrats in the Bank of Japan and the Ministry of International Trade and Industry, who recognise the threat to Japan's international status.

As a result, some changes have

been approved and derivatives trading will become slightly easier later this year, although it will remain heavily circumscribed. And yesterday the Tokyo Stock Exchange announced a relaxation of some listing requirements for foreign companies.

These reforms, however, are limited and are proceeding at a painfully slow pace. The foot-dragging is not simply an innate conservatism. It represents a desire by the finance ministry to protect the interests of individual sectors, such as banks and brokers - but it has the effect of stifling Tokyo's markets.

Nevertheless, senior bureaucrats at the finance ministry argue there is little solid evidence that Tokyo's position is under serious threat. They concede it has lost ground to south-east Asian competitors, but point out that the strong growth of the south-east Asian region in the past few years has inevitably led to some shift in business.

Perhaps most importantly, the scale of Japan's savings and current account surplus means that the country is assured of a vast financial market. In 1993, Japan had the world's second largest government bond market and the second biggest stock market capitalisation. It is the world's largest capital importer and the biggest net capital exporter.

A finance ministry official argues this means there is no cause for alarm: "We will continue to monitor the developments in Asian and other markets, and if we need to act, then we will, but not by damaging the protection of the investor."

This sangfroid is not shared by many of Tokyo's financial community. In increasingly complex and international capital markets, the size of the domestic economy does not ensure the country's attractiveness as a financial centre - funds could simply move offshore. Frankfurt is the financial heart of an economy twice as large as any in Europe, yet it lags well behind London in sophistication.

"Tokyo is in real danger of being left behind in the frantic race in Asia," says Mr Fumihiko Nishi, of Nomura Securities. "The only advantage it has is scale. But that will be insufficient, because without real deregulation, financial innovation in other Asian centres will rapidly outpace that in Japan."

A senior executive at an American investment bank goes further: "In the end it is not a question of kudos or status. It is about whether you have an open financial market that distributes capital effectively."

"If Japan does not have that kind of market - and it does not have it now - financial companies will go the same way as manufacturers: abroad."

US healthcare: the issue that won't die

When Senator George Mitchell announced last month that he was ending his drive to pass a healthcare reform bill through Congress, he invited the American electorate to ask "Who killed healthcare?" He hoped that voters in next month's midterm elections would punish the assassins, including Republicans and other congressmen who have acted on behalf of the health industry interest groups operating on Capitol Hill.

However, the senator should look at the other end of Pennsylvania Avenue for an answer to his question. The two people most responsible for the failure of the bill are President Bill Clinton and his wife, Hillary.

As a presidential candidate, Clinton had a reputation for his tough stance on the US healthcare system, winning widespread support for fundamental change. Once in the White House, however, he had to make two fundamental choices on the route to reform. First, should the priority be a

swift dash to universal health coverage or measures to control costs? Second, should he put forward a detailed blueprint of his own or set out some basic principles and challenge Congress to fill in the details?

In drawing up legislative plans for universal coverage, the Clintons chose the first option in both cases. The complexity of the resulting proposals scared prospects for radical reform in 1994 by raising the opposition of too many interest groups. Yet, despite this setback, healthcare reform will return to the political agenda with the new Congress next year. Healthcare is too important an issue to disappear.

Employee health insurance costs remain a problem for business. Some of the largest employers have made progress in reducing their medical expenses, but they are far from satisfied. Many smaller companies have yet to see substantial benefits from attempts to drive down healthcare costs.

Local, state and federal governments must also give priority to bringing medical costs under control. They are responsible for more than 40 per cent of US health expenditure through Medicaid and Medicare, two publicly funded schemes, and their own employees' health benefits.

Cost containment means giving further incentives to business to insure employees through health maintenance organisations that have proved successful in holding down costs. The health insurance

market will attempt to reduce administration costs through further mergers and alliances. Medical malpractice reform is also under deep scrutiny from legislators.

There are few congressmen who do not accept that too great a burden is put on doctors by law suits. While the legalistic culture of the US is likely to make reform difficult, it needs to be tackled.

Savings in treatment costs would

help keep the cost of health insurance down and allow more employees to offer coverage to staff and reduce the number who opt out of their employer's medical scheme on grounds of cost.

This incremental approach will, however, be insufficient for the liberal wing of Congress, which hankers after much wider coverage. The failure of the Clinton plan has probably taken universal coverage off the national agenda for the next few years (although some states may attempt to pursue it). An alternative may be to extend Medicaid benefits to selected groups, such as pregnant women and children.

Many of these proposals have already been tabled in the present Congress by the bipartisan "Mainstream Group" in the Senate and in the Cooper/Grundy proposal, which achieved cross-party support in the House of Representatives. Had these groups been given a free hand and two years to work on them, healthcare reform legislation might already have been signed.

They could not deliver largely because the healthcare debate had to wait nine months while the Clinton administration produced its 1,300-page draft plan. The plan proved so complex and divisive that another nine months elapsed before serious negotiations on a politically practical draft could begin. In the next Congress, representatives of both parties should be able to pursue such an agenda without the heavy hand of the White House.

The irony is that the White House has won on healthcare. It is now too big an issue to go away and the new Congress will have to take it on next year. Reforms based on incentives to contain the cost of treatment and limited steps to increase coverage may disappoint those who supported the Clintons' more ambitious healthcare plans. But they could be the chief achievement of the president's first term - even if he will get little credit for them in the 1996 presidential contest.

Tim Hames

The author is American Studies research officer at Nuffield College, Oxford

Passing the Lloyds chair

Sir David Walker is not the first ex-Bank of England director to seek his fortune in the City and will almost certainly not be the last. Yet his decision to step down as a deputy chairman of Lloyds Bank, when he was widely thought to be the chairman-in-waiting, is puzzling.

True, as chairman of Morgan Stanley's European operations Sir David is likely to earn several times the £225,000 that the chairman of Lloyds Bank got last year. At 54, he is still young enough to be able to make some serious money after a long career of public service. Even so he is turning down the chance of leading Britain's most successful High Street bank into the next century, in order to be the European figurehead of a Wall Street broker.

Whether or not Sir David sensed that the chairmanship of Lloyds was no longer in his grasp, his departure raises the fascinating question of who is going to lead Lloyds after 1994 when Sir Brian Pittman, Lloyds' chief executive, retires.

By then, Sir Robin Ibb, the chairman, will be over 70 and though he might soldier on for another year, Lloyds Bank needs to find a new chief executive and chairman. One possibility is for Sir Brian

Pittman, 62, to take the chair. This would be a turn up for the books since Lloyds has never given the chairman's job to one of its own men before.

But Sir Brian has transformed the group and parallels could be drawn with Sir John Birt, who turned Midland Bank into the biggest bank in the world at the turn of the century, and was rewarded with the Midland chair which he held until he died.

Alternatively if Lloyds wanted to signal its intention of being a real retailer of financial services, it could do worse than give the chairman's job to a blue chip retailer like Marks & Spencer chairman Sir Richard Greenbury, a recent recruit to the board.

Hard to know which would be the more surprising choice.

At the Kohl face

The vast amount of newspaper devoted to the German elections in the English language press seems to have generated more heat than light.

No one for instance seems to be able to work out whether Helmut Kohl's re-election is good or bad news for John Major's European policy.

OBSERVER



"We're looking for people with small fingers and low pay expectations"

"champion the decentralisation of power away from the Commission"

At least the ubiquitous Josef Joffe, editorial page editor of the *Süddeutsche Zeitung*, who managed chunky pieces yesterday in both *The Independent* and *The International Herald Tribune*, is saying pretty well exactly the same thing in both organs.

Loose Heron

Memo to Michael Heseltine, president of the board of trade. Best kept an eye on Michael Heron, chairman of Britain's Post Office.

As an ex-Unilever marketing man he has competed with the best and has been given the job of exposing the Post Office to the winds of competition by taking it into the private sector.

So what was he doing seemingly rubbing salt in the wounds of the Post Office at the 25th anniversary dinner of the renamed Institute for Employment Studies?

Heron concluded that there was not much difference between the market and the law of the jungle or the behaviour of baboons. It cannot solve most of the fundamental problems facing society.

That sort of stuff might be music in the ears of a bunch of soft personnel managers but it is not going to impress Her Majesty's Treasury.

Perhaps you need to be a bit more generous with the proposed share options for Heron and his chums.

Now you see it

At 8.39 yesterday morning Charles Hochman, who retired as chief executive of media-buying agency group on October 15, found himself the happy beneficiary of 500,000 share options.

The happiness was short-lived. By 14.22 the options had vanished, cancelled after Aegis was

on corporate governance.

What was in the mind of Aegis' remuneration committee, which decides such matters? The committee is composed of Frank Law, the (non-executive) chairman; John Vogelstein of Warburg Pincus, a major shareholder; and Sir Kit McMahon, a non-executive director.

By way of elucidation, Law said yesterday that Hochman's options "were automatically triggered by (Hochman's) service contract dating from 1992," adding that the afternoon cancellation had Hochman's "full agreement".

Family enough, Aegis' latest annual report states that in February this year Law was given 500,000 shares - as was his wife, who is not a director nor even an employee of the company.

Aegis has been through difficult times recently. But then, no-one has ever got involved with it anticipating a quiet life.

Wind tunnel vision

New Zealand researchers are trying to increase the digestive efficiency of sheep and cows, in order to stop them belching.

A climate change conference has been told that animals release massive amounts of methane into the atmosphere, a major cause of the so-called greenhouse warming effect.

Who's going to tackle the hot air released by think tanks, politicians, spokesmen, media types, huffies...

Manufacturers want common standards on new technology

Brussels censured on car targets

By John Griffiths in Paris

Leading European carmakers yesterday accused the European Commission and EU governments of failing to meet financial and strategic planning obligations aimed at halving 50,000 road deaths a year by 2010.

Mr Jacques Calvet, Peugeot chairman, and Mr Giorgio Garuzzo, managing director of Fiat and president of the European Automobile Manufacturers Association, warned that unless Brussels and the 12 EU member states made better progress in creating common standards and electronic languages for such things as roadside beacons transmitting information to receivers in vehicles this goal would be threatened. In addition, technol-

ogy developed by Europe's vehicle and component manufacturers would be overtaken by the Japanese and North American motor industries.

Industry leaders said that a 30 per cent improvement in transport efficiency, measured by traffic flows, was also under threat. At stake are tens of billions of Euros, which business loses every year through delays, wasted man-hours and other costs, they maintained.

The warnings came at a Paris conference and exhibition at which 90 cars and commercial vehicles fitted with the technology developed under the eight-year, £200m (\$1.1bn) "Prometheus" collaborative research programme, which started in 1986, were being demonstrated. The cars could:

- illuminate long distances in the dark with infra-red and ultra-violet headlights;
- automatically avoid collision with radar;
- cruise "intelligently" by automatically keeping pace with vehicles in front;
- stay within white lines, thanks to computer image processing;
- know exactly where they were on the Paris road network via satellite, and
- summon emergency services to the exact location of a breakdown or accident with or without the driver taking any action.

Mr Calvet and Mr Garuzzo sharply criticised "budgeting problems" in Brussels and national governments, which have led to the 20 vehicle and component makers within Prometheus funding 70 per cent of the research programme.

The remainder is funded from Brussels and by national governments. It was "quite unacceptable" that some industry partners within the project "should be penalised because some countries do not support common financial commitments", Mr Garuzzo said.

There was also resentment over a lack of direction within Brussels over research programmes such as Prometheus, which is part of the Union's "Drive" transport research programme.

North Korea nuclear deal eases fears

Continued from Page 1

Yang's alleged development of nuclear weapons.

The agreement is linked to the gradual improvement of bilateral relations between Washington and Pyongyang, which Mr Kang said, would "make a significant contribution to greater peace and security in Asia and the rest of the world".

The deal apparently provides for a delay in inspections by the International Atomic Energy Agency to determine whether North Korea has reprocessed plutonium for nuclear weapons. South Korean officials had expressed concern that such a delay would give Pyongyang more time to produce a bomb from plutonium it is suspected of having reprocessed five years ago.

There were also doubts in Seoul about providing North Korea with international aid that could revive its troubled economy when it appears to be heading towards collapse.

But officials yesterday acknowledged that they had little choice but to accept the accord concluded by the US, South Korea's main military and economic ally.

Chinese inflation hits 27% as fears of social unrest grow

By Tony Walker in Beijing

China's annual inflation rate rose to 27.4 per cent in September, putting more pressure on the central government which fears social unrest.

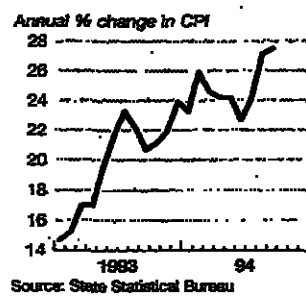
The government has already introduced price controls in an effort to break the inflationary cycle. The September figure was up nearly two percentage points on August, according to figures released yesterday by the State Statistical Bureau.

The gloomy economic news underscores the difficulties faced by the government, which admits that it has entered a "crucial" phase in its efforts to curb inflation. The authorities need to maintain high levels of economic growth or risk worsening unemployment and possible social unrest.

The bad September result seems certain to add to pressures on the leadership to stiffen remedial action taken last month to restrain price increases. The latest figures showed a further narrowing of the gap between the national cost of living increase and that in the 35 biggest cities.

Until recently, urban inflation had been rising faster than the national average. This suggests

China's inflation



price curbs have been more effective in the cities than in provincial towns and rural areas. Urban cost of living was up by 27.5 per cent in September, compared with the same month last year.

Western economists in Beijing view the inflation figures as an ominous reminder to the authorities of their difficulties in curbing inflation. "Whichever way you look at it, this is bad news for China," one said. "This shows inflationary pressures in the economy are still quite strong."

Mr Qiu Xiaohua, spokesman for the Statistical Bureau, blamed the continuing inflationary spiral on food price increases due to drought in northern China and flooding in the south. He also

said that the effects of administrative price rises for grain and other commodities were still being felt. The state purchase price for grain has risen by about 50 per cent in the past year.

Mr Qiu warned that China had entered a "crucial" phase in the last quarter of the year, with pressures increasing on the government to redouble its efforts to bring price rises under control. He urged that money supply growth be restrained, increases in capital spending be curbed and strenuous efforts be made to increase agricultural production.

Mr Qiu revealed that the M2 measure of money supply showed a rise of 34 per cent for the nine months compared with the same period last year. This compares with the government target of 24 per cent M2 growth for the year.

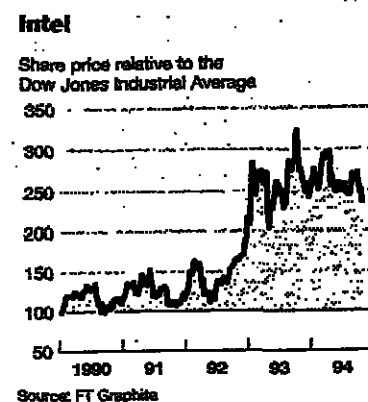
A western economist described as "overstated" indications of the difficulty in restraining money supply growth. He saw little prospect of an easing of pressures on the government to provide subsidies to prop-up loss-making state enterprises.

Some 44.5 per cent of China's 11,000 large and medium-sized enterprises were in the red in the first nine months, according to the Statistical Bureau spokesman.

THE LEX COLUMN

Invisible benefits

FT-SE Index: 3085.3 (-34.9)



Three drugs companies have collectively forked out \$13bn on so-called pharmacy benefit managers over the past 15 months. All three posted results yesterday. Eli Lilly was understandably silent about its PCS acquisition because the purchase is yet to be completed. More curious was that neither Merck nor SmithKline Beecham provided anything to enlighten shareholders whether their money had been wisely spent. Such information would have been appropriate because the two rationales given at the time of the deals are increasingly doubtful: that the drugs groups would gain market share by pushing their drugs through the distributors; and that the distributors' patient data would allow them to assess medicines' cost-effectiveness.

With hindsight it is clear there are less expensive ways of accessing such patient data. Indeed, health maintenance organisations hold far more complete treatment information than distributors and are quite willing to share it for relatively small considerations. Meanwhile, the market share argument is threatened by the Federal Trade Commission's concern that prescribing policies which exclude other groups' drugs could be anti-competitive. Perhaps the companies' silence was motivated by embarrassment. The 1.5 percentage point increase in market share that Merck is estimated to have achieved after its Medco acquisition seems scant reward for a \$6.5bn investment. The drugs industry's diversification into distribution looks an expensive mistake.

Intel

Intel is impressive and aggressive. The group's lock on the global microprocessor market allowed it to boost sales in the third quarter by 28 per cent compared with the previous year. Operating margins have slipped but they were still a mouth-watering 34 per cent. Moreover, the decline is partly due to Intel's diversification into lower-margin products such as video-conferencing kit and partly because margins on 486 chips, which account for the bulk of its production, have shrunk. As production of the more advanced Pentium processors is increased, margin erosion should halt.

Fat margins are, of course, a temptation to rivals. It is in finding off the competition that Intel has displayed its aggression. Not only has it pursued Advanced Micro Devices mercilessly for alleged patent infringements, it

has embarked on a high-profile campaign to accelerate the industry's move from 486 to Pentium chips. In that way, it aims to keep ahead of its rivals. The company's "intel inside" campaign has already resulted in a public spat with Compaq, which does not wish to accelerate the change to Pentium-based personal computers while its warehouses are full of 486 models. The risk is that Intel will become so unpopular that customers desert it. But the evidence so far is that, much as they may want to, they do not have the option.

Gilts

After a good run, the gilts market was looking for an excuse to consolidate yesterday. The public sector borrowing requirement figures held no horrors and the announcement that this month's gilts auction will be \$2.5bn hardly came as a shock, given that the Bank of England is giving November a miss. Yet the morning's sharp correction could not be explained entirely by renewed dollar weakness and profit-taking in German bonds.

Instead the finger was pointed at the Confederation of British Industry's September retail sales survey and the much stronger than expected figures for volume growth. Even analysts sceptical about the CBI survey's accuracy were tempted to push up their forecasts for today's official numbers some dramatically so, and those looking for a reason to sell gilts could claim they detected the whiff of returning inflation.

But the cries of wolf are increasingly falling on deaf ears and prices

ended well off their lows. Even if retail sales have picked up as the CBI figures imply, the anecdotal evidence suggests the volume growth has not made it any easier for retailers to push up their prices. Many City economists have now come round to the Bank of England's more relaxed view on inflation. Yet despite the recent rally, yields are still telling the old story and gilts promise much if the governor is right.

Japanese cars

Production figures released by Toyota and Nissan yesterday suggest that the Japanese automotive sector is still mired in deep structural and cyclical difficulties. Nissan reported that domestic production in September fell compared with the previous year - the 27th successive monthly decline. Toyota, the stronger of the two companies, managed a modest 1 per cent increase in exports, while Nissan's exports dropped by 5 per cent.

The domestic Japanese market is suffering from prolonged contraction: vehicle output is set to be 10.8m this year, compared with a peak of 13.6m in 1990. Abroad, the appreciation of the yen has hit Japanese manufacturers hard, forcing up the price of Japanese cars. In Europe, for example, Japanese car sales are set to fall 7 per cent this year despite a predicted 6 per cent growth in the market overall. In the US local manufacturers are benefiting most from the upturn.

Japanese manufacturers have responded to the pressure by shifting production out of Japan to lower cost manufacturing locations. Honda's announcement this week that it plans to double its capacity in Thailand is the latest example of this. In time, this strategy should restore the Japanese industry's competitive position. But investors will find better recovery stories among America's and Europe's motor companies.

Rolling contracts

Mr Tom Buffett's five-year rolling contract at Automated Security Holdings provides a good test for the whole "roller" concept. This is a case of manifest failure: ASH's share price has underperformed the market by 77 per cent since the start of 1990. Defenders of rollers say they do not necessarily reward failure as boards can insist on a reduced pay-off if performance is poor. ASH now has the chance to show whether that is so.

IBM to sell off UK manufacturing plant

By Alan Cane in London

International Business Machines, the world's largest computer maker, is within weeks of agreeing the sale of all or part of one of its best-known European manufacturing operations.

The site, at Havant in the south of England, principally manufactures disk drives for personal computers and is the sole source of some important IBM systems.

It employs some 1,500 people and turns over more than \$500m

(\$790m) a year. It is profitable, although separate figures are not published.

The planned disposal follows the sale of a majority stake in the company's printer operations at Jarfalla, Sweden, to a Swedish venture capital company earlier this year. It also follows the opening of part of its Montpellier, France, manufacturing facilities for lease by other companies.

These are unprecedented moves for the company, which has traditionally owned and controlled its

manufacturing capacity.

The sites at Havant, Jarfalla, Montpellier and Valencia in Spain were identified last year as "surplus to requirements" as part of the computer giant's strategy to return to profitability. IBM has been reducing staff numbers and manufacturing capacity as it comes to terms with the economics of a computer industry dominated by personal computers which yield low profit margins compared with mainframe computers, its traditional strength. Havant has been operating as

an "independent business unit" run by local management with the option to seek manufacturing contracts from outside customers.

The staff were told this week that several potential new owners had been identified and that the parent company expected to make a final decision in the near future.

IBM yesterday said a small number of potential buyers had been invited to view the plant's operations and examine the books.

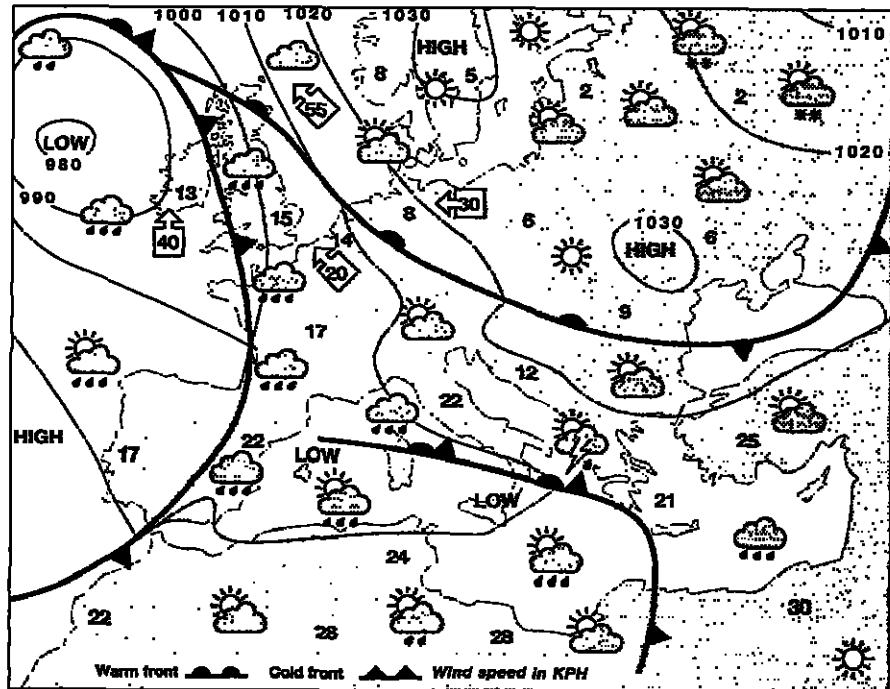
FT WEATHER GUIDE

Europe today

A frontal zone associated with a vigorous low pressure system over the Atlantic will cause rain in Ireland, south-west England and Portugal. During the afternoon, the rain will spread across England, Scotland, western France and Spain. Most of Portugal and Ireland will have broken cloud and a few showers. The North Sea area will have a near gale force wind from the south-east. Another low pressure system over the Mediterranean will trigger numerous heavy showers, some with thunder, which will affect south-east France and parts of Italy and Greece. Northern and central Europe will remain dry and partly cloudy. Northern Scandinavia and the Baltic states will have isolated snow showers.

Five-day forecast

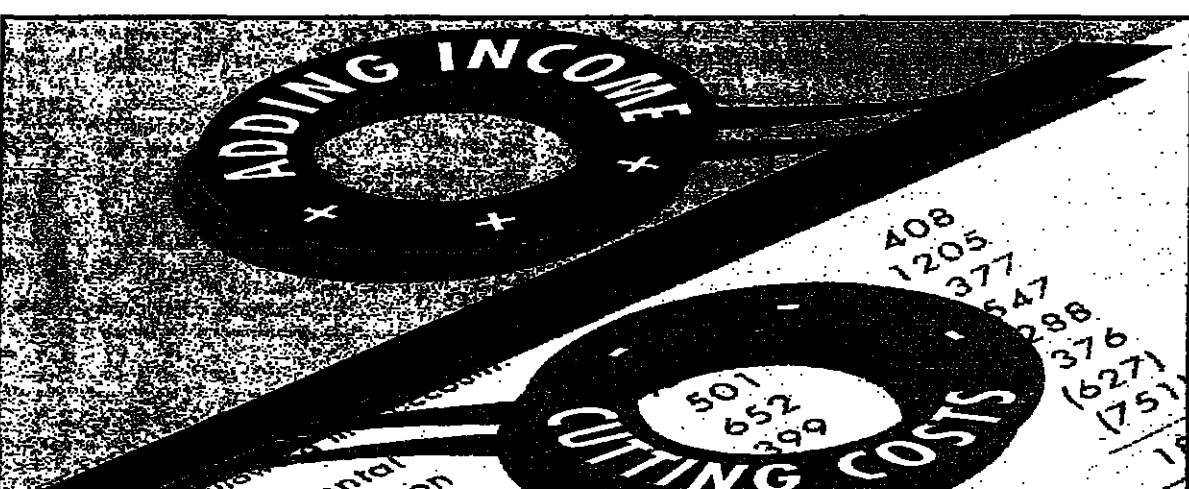
A high pressure system with dry and rather sunny conditions over much of Europe will move slowly east. As a result, low pressure with windy and unsettled conditions will spread eastwards into the continent. Temperatures will tend to rise, ending the spell of sub-zero temperatures during the night. Scandinavia will also be milder. A ridge of high pressure will bring sun to Spain with temperatures near 21°C.



TODAY'S TEMPERATURES

Location	Temp	Location	Temp	Location	Temp	Location	Temp
Abu Dhabi	sun 36	Beijing	fair 16	Caracas	fair 31	Faro	fair 22
Accra	thund 30	Belfast	rain 12	Cardiff	rain 12	Frankfurt	fair 13
Algiers	shower 23	Belgrade	sun 12	Casablanca	rain 22	Geneva	fair 18
Amsterdam	fair 13	Berlin	sun 9	Chicago	fair 21	Gibraltar	shower 21
Athens	cloudy 21	Bombay	fair 34	Dallas	cloudy 27	Helsinki	sun 20
Atlanta	cloudy 24	Buenos Aires	sun 20	Dubai	sun 35	Hong Kong	cloudy 24
B. Aires	fair 20	Budapest	sun 10	Dubai	sun 35	Honolulu	fair 27
Bangkok	shower 35	Cairo	sun 30	Dubrovnik	fair 20	Istanbul	fair 18
Barcelona	shower 20	Cape Town	sun 19	Edinburgh	shower 11	Jakarta	shower 32
						Jersey	shower 14
						Karachi	sun 35
						Kuwait	fair 36
						L. Angeles	sun 26
						Las Palmas	fair 26
						Lima	cloudy 22
						London	shower 19
						Lucembourg	fair 15
						Lyon	fair 15
						Madeira	fair 24
						Moscow	shower 14
						Murich	shower 12
						Nairobi	shower 27
						Naples	shower 22
						Nassau	fair 29
						New York	cloudy 18
						Nice	shower 19
						Nicosia	fair 27
						Oslo	sun 5
						Paris	shower 19
						Perth	fair 28
						Prague	sun 9
						Rangoon	fair 32
						Raykjavik	rain 8
						Rio	cloudy 29
						Rome	shower 22
						S. Francisco	fair 19
						Seoul	fair 19
						Singapore	shower 32
						Stockholm	sun 8
						Suzhou	fair 16
						Sydney	cloudy 22
						Taipei	shower 27
						Tel Aviv	shower 27
						Tokyo	shower 23
						Toronto	rain 14
						Vancouver	cloudy 13
						Venice	sun 16
						Vinaia	sun 9
						Warsaw	sun 6
						Washington	cloudy 21
						Wellington	rain 12
						Winnipeg	cloudy 12
						Zurich	fair 16

No other airline flies to more cities in Eastern Europe.
Lufthansa



How LIGHTING can affect both sides of your Profit & Loss Account

Lighting may be low priority to most business people, but the Profit & Loss Account speaks the universal language of money.

There's a free, non-technical handbook explaining how lighting can significantly affect both sides of your P & L.

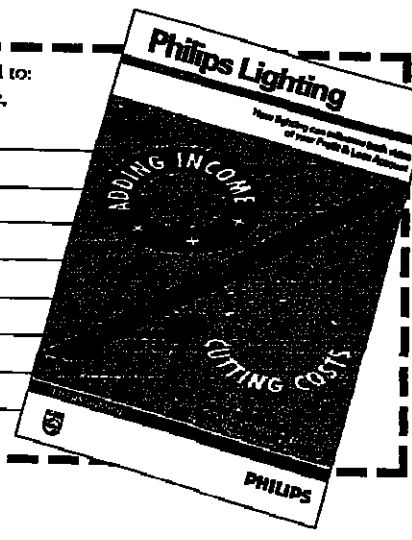
It will surprise you. It may shock you.

Simply send back the coupon, or call 0181-686 1966

or fax 0181-686 1967

You don't need a stamp, if posting inside the UK. Send to:
 Philips Lighting Limited, FREEPOST, The Philips Centre,
 420/430 London Road, CROYDON CR9 2WZ, UK.

Name _____
 Position _____
 Organisation _____
 Address _____
 Tel No _____
 Fax No _____



The better the light,
 the better the life.

PHILIPS

INTERNATIONAL COMPANIES AND FINANCE

Finnish groups' results confirm recovery in Nordic forestry industry

Repola, Kymmene return to black

By Hugh Carnegie
in Stockholm

Repola and Kymmene, two of Finland's big four forestry groups, yesterday reported large swings back to profit in the first eight months of the year after losses in the same period last year. The recovery followed sharply reduced financial charges.

Both reported high capacity utilisation - 94 per cent in the case of Kymmene's paper mills - and said demand in Europe for forestry products and paper was likely to remain strong.

The results were in line with the resurgent profitability in the Nordic forestry industry this

year. They covered a period during which Repola and Kymmene came close to agreeing a merger between Kymmene and United Paper Mills, the forestry group and main component of Repola. Talks broke down in June.

Kymmene has denied reports that merger contacts had been renewed.

Repola reported pre-tax profits in the first eight months of FM1.17bn (\$215m), a turnaround from a restated loss of FM1.19m in the same period last year. Repola and Kymmene restated 1993 figures to conform with EU accounting principles.

Turnover rose to FM1.36bn from FM1.77bn and operating

profit grew to FM2.11bn from FM1.67bn. Financial expenses fell by FM732m.

Operating profits at UPM rose to FM1.8bn from FM1.48bn on turnover up at FM1.23bn from FM1.174bn. Repola said the increase in turnover was due to marked growth in its paper and mechanical wood processing businesses.

Repola's engineering division, Rauma, saw sales increase to FM5.18bn from FM5.03bn. But operating profits doubled to FM247m from FM124m.

At Kymmene, there was a swing to a FM545m profit in the first eight months from a FM337m (restated) loss. Sales

rose to FM12.11bn from FM10.98bn, due mainly to higher sales of fine papers, panels and sawn timber. Value of sales fell FM700m as the market appreciated. Operating profit rose to FM1.32bn from FM944m. Net financial charges tumbled to FM846m from FM1.3bn.

Kymmene said it expected earnings in the last four months of the year to be at the same levels as in the first eight months.

It also expects an overall improvement in earnings for the full year of FM1bn. Last year, Kymmene reported a loss after financial items of FM266m.

GAN drops to FFr840m deficit at midway

By Andrew Jack
in Paris

Groupe GAN, the state-controlled French insurance group, yesterday reported losses of more than FFr840m (\$158.79m) for the six months to June 30.

This compares with profits of FFr372m at the same time last year.

Group revenues rose to FFr63bn, against FFr62.3bn last time, and the balance sheet total stood at FFr738.8bn up from FFr704.4bn.

The deficit had been expected by analysts following similar losses at other insurers.

They were the first results to be presented by Mr Jean-Jacques Bonnaud, who was appointed head of the company at the end of June by the government, in succession to Mr François Heilbronn.

Mr Bonnaud said the losses reflected a number of exceptional factors, including a deterioration in casualty insurance, a reduction in realised gains, a series of provisions and a restructuring of its Union Industrielle de Crédit subsidiary.

UIC saw its losses deepen to FFr925m from FFr30m in the first half of last year as part of the restructuring, which was agreed earlier this month. The group is ring-fencing FFr18.9bn in its property portfolio.

Domestic life assurance profits remained almost unchanged at FFr344m, compared with FFr355m. However, its Indemnité Accidents division reported a sharp increase in losses to FFr736m from FFr403m.

Group CIC continued to grow, reporting profits of FFr328m against FFr257m.

Mr Bonnaud said that he was confident the situation would improve in the second half.

He also said that his objective was to prepare GAN for privatisation "with the shortest possible delay", even if the losses reported yesterday held back such a move.

Statoil and Saga prepare NKr40bn energy venture

By Karen Fossli in Oslo

Two of Norway's biggest oil and gas companies will today announce details of an asset swap programme which will clear the way for a NKr40bn (\$6.6bn) joint development plan for gas fields in the Norwegian Sea.

Statoil, the Norwegian state oil company, and Saga Petroleum, Norway's largest independent oil company, will swap operational control of oil and gas fields in the North Sea and in fields off mid-Norway. There may be a swap of shareholdings between the companies.

The government is also expected to disclose details of a deal in which the state will sell a large shareholding to Saga in either or both the Smørbukk South and Smørbukk gas and condensate fields in the Norwegian Sea.

The NKr40bn co-ordinated development of these fields has long been stalled by doubts about the fields' economic viability and by differences of opinion over oil companies' investment priorities. The restructuring of the oil and gas assets and their co-ordinated development will allow the companies to share investment objectives.



tion in the North Sea of its 80m barrel Fenris oil field for Saga's operation of the 100m cubic metre Midgard gas field.

In August, Saga acquired a 50 per cent stake in Fenris from Esso Norge. Financial details were not disclosed. Statoil holds a 20 per cent stake in the field while the state owns a 30 per cent direct financial interest.

In the Midgard field, which comprises two licences and is situated in Hattenbanken off mid-Norway, Statoil will assume Saga's operation in exchange for its Fenris operation. Statoil holds a 61 per cent stake in each of the Midgard licences. The state directly holds 31.4 per cent. Saga Petroleum has 9.8 per cent.

The Smørbukk field, where the state is understood to have agreed to sell all or part of its 31.4 per cent shareholding to Saga, is operated by Statoil with a 19.6 per cent shareholding. Smørbukk contains 95m cubic metres of gas and 37m cubic metres of condensate.

The Smørbukk South field contains 20m cubic metres of gas and an estimated 150m barrels of oil. The Midgard field was discovered in 1981 while Smørbukk was discovered in 1984 and Smørbukk South in 1985.

Enso-Gutzeit buys stake in Veitsiluoto

By Christopher Brown-Humes
in Helsinki

Enso-Gutzeit said last night that it was strengthening its operations in the Finnish pulp and paper sector by buying a 35 per cent stake in Veitsiluoto, a state-owned forestry company, for FM1.5bn (\$324m).

The move, which continues the government's privatisation programme, will make Enso one of Europe's leading producers of fine papers and newsprint.

The government retains a majority stake in Veitsiluoto but has given Enso an option

to buy the holding if it decides to sell.

Mr Matti Vuoria, secretary-general of Finland's Ministry of Trade and Industry, said Enso had defeated a rival bid from Metsä-Serla, one of its domestic rivals, because it had made "a clearly better offer".

Enso will pay FM1bn directly to the state and use the remaining FM500m to strengthen Veitsiluoto's equity. The government holds 33.7 per cent of the capital and 52.1 per cent of the votes in Enso.

The sale is politically sensitive because Veitsiluoto's oper-

ating units are based in the north of Finland and are important for local employment. Enso has undertaken to study the feasibility of making a big investment at Oulu, where Veitsiluoto has recently commissioned a new fine-paper machine.

Veitsiluoto made a FM150m loss after financial items in 1993 on turnover of FM4.82bn.

Enso yesterday reported a FM872m profit after financial items for the first eight months, compared with a FM186m profit in the same 1993 period. Sales advanced to FM11.3bn from FM10.3bn.

Mr Jukka Härmälä, chief executive, said the improving trend would continue in the final four months, giving the group a "much better" full-year profit than last year's FM406m. "Prices for paperboard and for standard and specialty newsprint will be raised during the final four months," he said.

The group announced FM650m in new investments. The biggest project, worth FM400m, involves the construction of a chemithermomechanical pulp plant and process water treatment plant at Imatra.

DnB plans to set up life insurance group

By Karen Fossli

Den norske Bank, Norway's largest commercial bank, yesterday announced plans for a life insurance company to become operational in 1995.

Norwegian commercial banks were given the green light by the Storting (parliament) in the spring of 1992 to establish insurance companies providing they are granted a concession from the finance ministry.

DnB said it hoped to submit an application for such a concession within the next week.

The bank also disclosed that it would cancel a co-operation agreement made in 1993 with Vital, the Norwegian life insurance group, in which DnB sells life insurance products through its bank distribution network.

DnB said it intended to sell life insurance products to companies and private individuals and the new company would be one of Norway's most cost-effective - enabling it to offer competitive products.

The bank declined to reveal the size of the life insurance company.

ASH chief may scoop £1.67m compensation

By Paul Taylor in London

Mr Tom Buffett could receive compensation totalling £1.67m (\$2.68m) after his surprise decision to step down as chairman and chief executive of Automated Security (Holdings).

Mr Buffett built ASH into a large electronic security systems group through a series of acquisitions in the 1980s. Pre-tax profits peaked at £45.1m on turnover of £173.2m in 1992 but the group's financial performance has been erratic. The shares closed 5p lower at 33p yesterday.

Lord Lane of Horsell, deputy chairman, will succeed Mr Buffett. Lord Lane confirmed that Mr Buffett, whose remuneration totalled £334,000 in the year to November 30, was on a five-year rolling contract.

ASH also announced pre-tax profits for the three months to August 3 of £2.53m, up from £903,000 a year earlier.

Turnover from continuing operations increased by 10.1 per cent to £40.4m, producing earnings a share of 1.3p compared with a previous loss of 0.3p. *Lex, Page 16*

Rautaruukki in profit for first eight months

By Hugh Carnegie

Rautaruukki, the Finnish steel group, yesterday reported a return to profit in the first eight months of the year, posting a pre-tax surplus of FM361m (\$78m) after a (restated) loss in the same period last year of FM143m.

The group, the Nordic region's second largest steel producer, said the increase in demand and prices in Scandinavia and elsewhere in Europe that fuelled the turnaround were expected to continue for the rest of the year, yielding a further improvement in profitability.

Group sales rose to FM4.86bn from FM4.57bn. Rautaruukki said steel prices rose faster

than the cost of inputs, with prices rising especially sharply for hot and cold-rolled products.

Operating profit jumped 35 per cent to FM624m from FM463m and would have been greater but for a FM60m loss run up by the group's engineering division.

However, net interest costs fell to FM303m from FM364m and there was a FM46m extraordinary surplus, compared with an extraordinary charge of FM77m last time, due to changes in inventory values.

Rautaruukki raised FM792m earlier this year in a global share offering that led to a drop in the Finnish state's shareholding in the group to 68.7 per cent from 81.1 per cent.

Galc shares up 9% as market sees Ferfin bid

By Andrew Hill in Milan

Shares in Galc, the Italian finance company, rose by nearly 9 per cent yesterday, following comments on Monday by the chairman of Ferruzzi Finanziaria (Ferfin), the financial holding company which controls a large stake in Galc.

Mr Guido Rossi was reported to have said that Ferfin was "examining the problem" of Galc, which in turn owns about 30 per cent of Fondiaria, the quoted Italian insurer.

Galc has been at the centre of speculation for months, and the markets yesterday interpreted Mr Rossi's comment as a hint that Ferfin was set to mount a bid for the 20 per cent of Galc freely traded.

Highlights August 31, 1994
Centris Multipersada Pratama
achieved impressive results

Centris Multipersada Pratama posted impressive results with annualized revenues going up by 34.6% over the FY1993 figure (excluding expansion). Following a cost reduction program, the company managed to increase operating and net profit by 83.2% & 52.5%, respectively.

Key Figures

(In Rp billion)	August 1994 (8 months)	FY1993 (12 months)	% change YoY
Total Revenues	24.5	27.3	+34.6
Operating Profit	11.6	9.5	+83.2
Net Profit	6.2	6.1	+52.5
Total Equity	44.8	36.7	+22.1
Total Assets	67.3	58.6	+14.9
EPS(Rp)	280.7	171.0	+52.5
Current Ratio(%)	122.2	87.0	+18.6
Net Gearing (%)	27.0	26.6	+1.5

Key Points

- Indonesia's largest taxi company
- Nationwide operation, targeted at fast-growing middle class and mobile urban population
- Strong cash flow and low gearing
- A continuing fleet expansion will boost earnings substantially in the next five years

The company will continue its supremacy as a leading taxi company by expanding its fleet and widening its coverage into other fast growing cities of Indonesia.

PT Centris Multipersada Pratama
Jakarta, Indonesia
(62-21) 7260828

October 10, 1994

Introducing the J.P. Morgan Commodity Index

For today's investors, commodities make sense. Now there's a commodity index that makes sense, too.

For institutional investors, the case for commodities is clear. Enhance your returns as economic growth and inflation lift raw materials prices. Diversify your portfolio as higher interest rates depress stock and bond returns.

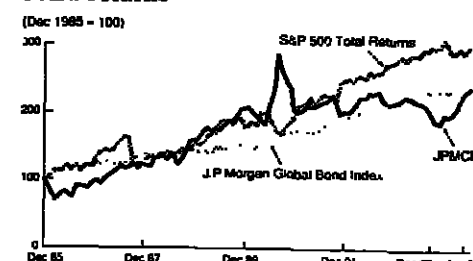
But using the wrong commodity index can cloud your view. Many of today's indices apply simplistic weightings that don't reflect typical investment objectives. Still others are loaded with soft commodities that expose you to haphazard liquidity and weather risks that can undermine your inflation hedging strategy.

That's why it makes sense to follow the new standard in commodities investing - the J.P. Morgan Commodity Index (JPMCI). The JPMCI is a total return index that gives you exposure to a highly liquid selection of energy, base and precious metals. And it's designed specifically with investment objectives in mind. That means positive correlations with inflation and economic growth. Negative correlations with stock and bond indices. The result: an investment that not only helps diversify your portfolio, but offers favorable risk/return characteristics in its own right.

To learn more about how the JPMCI can improve your investment performance, contact:
New York: Blythe Masters (212) 648-0924
London: Emma Conyers (44 71) 779-2034
Tokyo: Ken Yamaguchi (81 3) 5573-1983
Singapore: Tony West (65) 326-9890

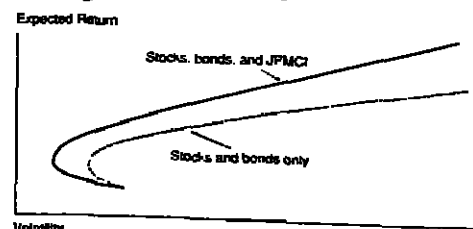
JPMorgan

Solid returns



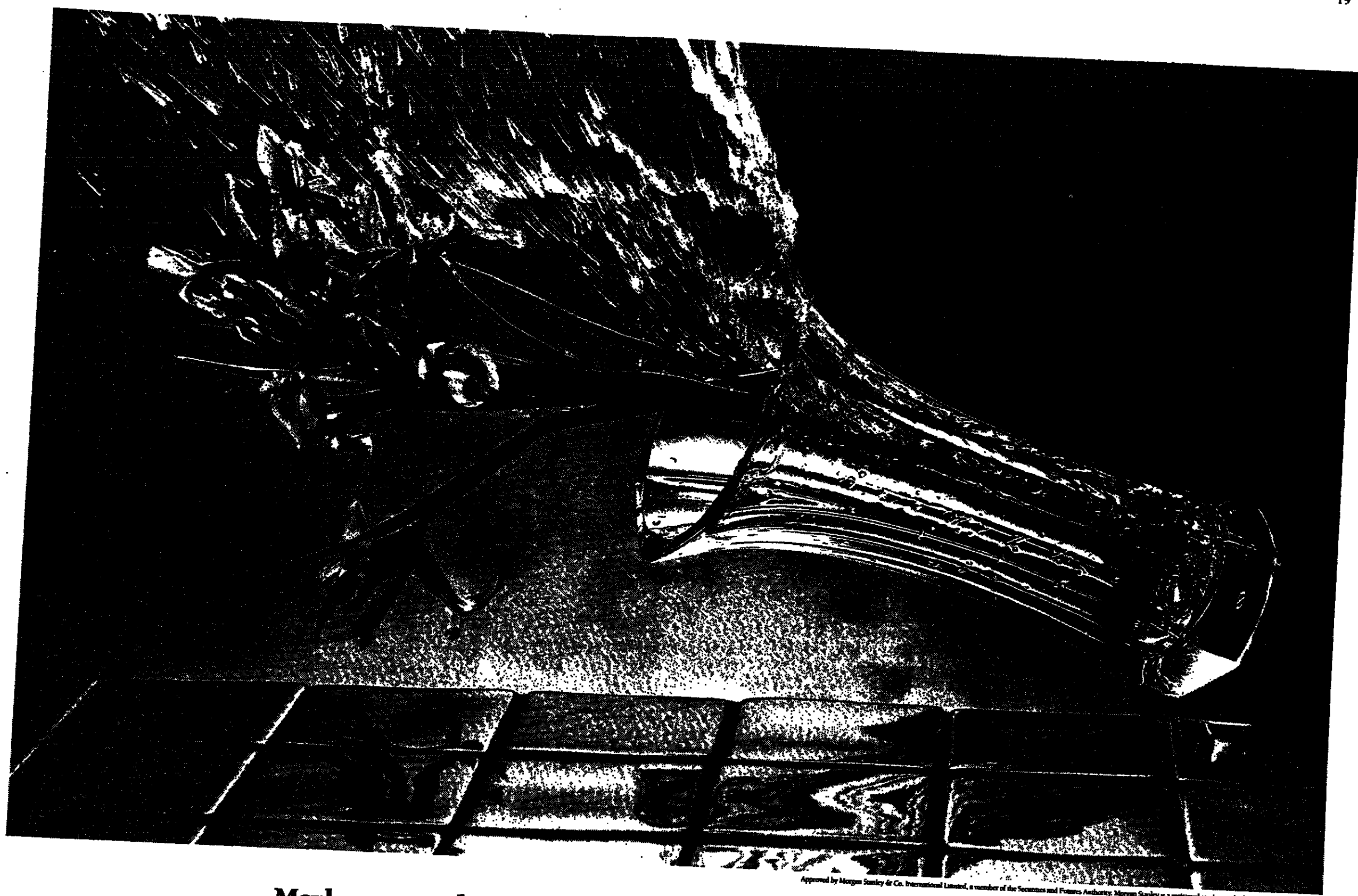
Based on historical data, JPMCI returns track favorably with returns on stocks and bonds. From a relative value perspective, commodities are considered inexpensive today.

Strategic diversification



The JPMCI can significantly enhance your risk/return profile by widening the efficient frontier of your portfolio.

J.P. Morgan is the marketing name for J.P. Morgan & Co. Investment Services and its subsidiaries, including Morgan Guaranty Trust Company and others that provide advisory and research services worldwide. © 1994 J.P. Morgan & Co. Investment Services.



Maybe you can bounce back.

In the worst of economies, even the best managed companies can stumble.
But you know you can save yours — if.

If you can make it investable again. If you can squeeze additional value out of every asset and every activity. And if you can find someone who can look at all your businesses, holdings, positions — everything — and help you restructure it all at once.

That's why you turned to a firm you knew could pull together a world of resources for you.

They immediately put a team of professionals to work inside your company. They set up models, made projections and weighed the potential performance of each of your businesses. They helped you decide what to hold, sell or spin off. And used their global contacts to find the right buyers and partners.

They studied your balance sheet to see what could be securitised. Analysed your real estate for possible sale/leasebacks. Even helped strengthen your management structure. Finally, they projected the value of your company under several scenarios to help you select the strategy that would make it most attractive to investors.

And now comes the acid test for your restructuring — the equity offering.

Will it succeed? You're facing a world of hard-nosed investors. But you've given your company the strength and flexibility to be what it must be.

Resilient.

MORGAN STANLEY

Bombay Chicago Frankfurt Hong Kong London Los Angeles Luxembourg Madrid Melbourne Milan Moscow New York Paris San Francisco Seoul Shanghai Singapore Taipei Tokyo Toronto Zurich

INTERNATIONAL COMPANIES AND FINANCE

Poor conditions hit Wall Street securities firms

By Patrick Harverson
in New York

Merrill Lynch and Bear Stearns yesterday provided further evidence of how the deterioration in trading and underwriting conditions on Wall Street has hit securities firms' earnings.

Both companies announced sharply lower profits for the latest quarter. At Merrill, the securities industry leader, net income during its third quarter tumbled 36 per cent to \$232m, or \$1.10 a share, while net revenues dropped 13 per cent to \$2.3bn.

As in previous quarters, the biggest decline at Merrill was recorded in investment banking revenues, which fell 46 per cent to \$245m. Higher interest rates have led to a dramatic downturn in the underwriting business, with the rising cost of credit deterring domestic and international companies from raising capital on the US debt and equity markets.

The firm's trading business has also suffered, with revenues from principal transactions falling 12 per cent to \$854m. Surprisingly, however, Merrill said its earnings from trading fixed-income securities were about the same as a year ago, which indicates that the firm is surviving the slump in worldwide bond markets better than most.

Brokerage commission revenues held up reasonably well, slipping 3 per cent to \$674m in

the quarter, but the flattening of the yield curve prompted a 19 per cent decline in net interest profit to \$211m.

On a more positive note, Merrill's asset management and portfolio service fees climbed 9 per cent to \$431m, as client assets under fee-based management rose 8 per cent to \$167bn by the end of September.

With much of its employees' compensation tied to performance, the decline in Merrill's overall earnings at least led to lower expenses during the quarter. Non-interest expenses fell 4 per cent to \$1.9bn, with the compensation and benefits category dropping 9 per cent to \$1.2bn.

The earnings picture at Bear Stearns was bleaker, primarily because the firm lacks Merrill's more diversified revenue base. Net income during its fiscal first quarter fell to just \$35.5m, or 25 cents a share, from \$104.3m a year ago. Although revenues from commissions, interest and dividends rose during the period, those gains could not offset big declines elsewhere.

Investment banking revenues fell by more than half in the quarter, to \$58.4m from \$119m a year ago. Commission revenues, however, climbed 12 per cent to \$120.3m, while interest and dividends produced revenues of \$447.5m, up sharply from \$247m a year ago. There was a mixed reaction from the stock market. Shares in Merrill Lynch climbed 3% to \$94 in early trading, but Bear Stearns fell 1% to \$19.

Sun returns to its shining performance of 1980s

Positive trends have helped the US computer company to report record earnings, writes Louise Kehoe

We have hit a home run! boasts Mr Scott McNeely, chairman and chief executive of Sun Microsystems, after the computer workstation manufacturer surprised Wall Street with record first-quarter sales and earnings.

Net income more than doubled to \$38.4m, or 40 cents a share, from \$16.6m, or 16 cents, in the same period last year. Analysts had been projecting earnings of about 26 cents a share. Revenues for the quarter were \$1.27bn, up nearly 33 per cent from \$960.5m.

Sun's share price rose 1% at \$32 in mid-session yesterday. "All of our business units met or exceeded our plans," says Mr McNeely.

"Our desktop computer unit growth was phenomenal. Unit sales more than doubled. Our high-end server, storage arrays

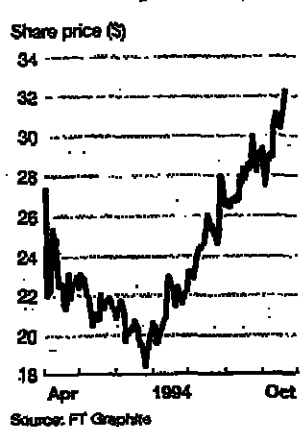
and database servers did very well. "Our technical workstations and graphics workstations did very well... You don't achieve these kind of numbers because one product line or one geographic area did well. You have to hit the lot."

First-quarter shipments of workstations and servers jumped nearly 50 per cent from a year ago to 74,000 systems in the quarter, the company said. Shipments would have been higher but for a shortage of D-Ram (dynamic random access memory) chips during the quarter, says Mr McNeely.

"Our backlog is still higher than we would like." With memory chip shortages easing, Sun expects to reduce its order backlog in the current quarter.

Orders booked during the first quarter were \$1.27bn, up

Sun Microsystems



33 per cent from \$942.1m a year earlier.

For Sun, the first-quarter results represent a return to the shining performance of previous years.

After breaking business growth records in the 1980s, its performance dimmed as growth in the market for computer workstations slowed and competitors, offering more powerful workstations, bit into Sun's market.

Sun still holds a commanding lead in the \$10bn workstation market for powerful desktop computers used by engineers, designers and financial analysts.

The company, however, is increasingly turning to the broader market for "enterprise" computing based on networks of desktop computers and servers. "We want to be known as the world's best supplier of network computing products," says Mr McNeely.

The trend towards computer networking - on a local, company and global scale - presents big opportunities for Sun.

he says, as many businesses move from mainframes to cheaper, more flexible networks of smaller machines. At the same time, departments and branch offices are "upgrading" PC networks by adding powerful "servers". Sun is the "right-sized" computer supplier, says Mr McNeely.

Sun's Solaris software, a version of Unix, is gaining momentum in the networking market after a rocky start.

SunSoft, the company's system software unit, distributed 82,000 Solaris licences during the first quarter, the company said. A version of Solaris designed to run on Intel-based servers is now "up and running," says Mr McNeely. "Now, the leading network software supplier, is vulnerable to competition, he adds.

"Novell is a soft underbelly and everybody is going after

their market. We see a real opportunity to do well there." Another positive trend for Sun is the growth of global networking. "The Internet is growing like crazy and 56 per cent of the servers on the Internet are from Sun. As the Internet grows, we grow," says Mr McNeely.

He is more cautious, however, about consumer use of high-speed networks. "A lot of money will be lost on the information highway over the next few years. We'd just rather not lose (money) there."

Sun is also moving to upgrade the performance of its workstations with a new microprocessor chip, called UltraSparc. First samples of the new chip have just arrived. "You will see faster workstations and servers based on UltraSparc in about a year," says Mr McNeely.

Corning jumps 24% to \$132m

Corning, the diversified US manufacturer, pushed up net earnings by 24 per cent in the third quarter, on a comparable basis, to \$132.5m, or 63 cents a share, writes Our New York Staff.

Earnings were hit, however, by a net \$55.4m charge related to the cost of three acquisitions in life sciences.

Sales in the quarter were up 20 per cent to \$1.4bn, half the rise being due to the acquisitions. Net income from operations rose 35 per cent to \$42.4m, mainly because of loss elimination after the sale last year of Vitro Corning, a Mexican venture.

TVB wins go-ahead on satellite

By Louise Lucas in Hong Kong

Television Broadcasts (TVB), a Hong Kong broadcaster, is poised to compete with Star TV, News Corporation's Asian satellite television arm, following government approval enabling the domestic company to establish a pan-Asian satellite service.

The colony's broadcasting authority gave the local station permission to broadcast regionally, but not in Cantonese, the dialect of Hong Kong and southern China.

TVB has no immediate plans, however, to capitalise on its new freedom. It will instead concentrate on the Taiwan

market and broadcasting encrypted signals which are decoded by local cable operators.

Mr Alfred Ng, assistant general manager and company secretary, said: "We believe our current strategy of selling decoders to cable head-ends, allowing them to distribute our signals, is correct."

It is a policy which appears to have paid off. TVB is among the colony's most profitable media companies, last year turning in a 42 per cent jump in net earnings to HK\$519.6m (US\$67.3m).

Securing permission to broadcast regionally paves the way for TVB's main aim: to be

granted an uplink and downlink licence allowing it to bring signals directly to satellite. It currently employs Hongkong Telecom to carry signals and beam them up.

Obtaining the licence - under consideration by the government - will give TVB greater flexibility to provide its own transmission facilities and full scope to compete head-on with Star TV.

Media analysts agreed the go-ahead was a small victory for TVB but marked a bigger step for Hong Kong, which will be regarded as a viable base for satellite TV companies that might have gone to Singapore.

Intel posts record earnings for term

By Louise Kehoe
in San Francisco

Intel, the world's largest semiconductor manufacturer, reported record sales and earnings for the third quarter, with revenues up sharply as sales of its high-performance Pentium microprocessors, used in the latest personal computers, doubled.

Revenues for the quarter were \$2.36bn, up from \$2.24bn a year ago. Net income rose 14 per cent to \$659m, or \$1.52 a share, against \$594m, or \$1.33, for the same quarter last year.

"The PC industry is rapidly moving to a new performance standard, based on Pentium microprocessors," said Mr Andrew Grove, president and chief executive. "The PC industry is maturing, shedding its past in a way that hasn't happened for a decade. Just one year ago, the standard was a PC featuring an Intel 486 microprocessor. Today, a PC at the same price point has a Pentium processor."

Intel said it expected to meet its goal of increasing Pentium sales to 25 per cent of its fourth-quarter microprocessor unit sales.

A second goal was to ship 6m-7m Pentium chips this

year. The company said it expected to be within a few weeks of meeting this goal by the end of the year.

Although Intel dominates the market for microprocessors used in PCs, with about 90 per cent of the world market, there are strong competitors.

Advanced Micro Devices is expected this week to announce a new chip called the "K5", which it says will be compatible with Intel's Pentium, but faster. IBM, Nexgen and Cyrix are also offering their own versions of Intel-compatible microprocessors.

"The threat of a new PC standard that could undermine Intel's domination of the market appears, however, to be receding. Efforts by IBM, Motorola and Apple to establish their jointly-developed "PowerPC" microprocessor as an alternative standard for PCs have so far had little impact, largely because there is limited software available for PCs built with the new microprocessor. Intel's nine-month revenues were \$9.29bn, up 30 per cent from \$6.39bn. Net income was \$1.92bn, up 13 per cent from \$1.7bn for the first three quarters of 1993. Earnings per share grew to \$4.37 from \$3.86. See Lex

Strong sales help lift Apple results

By Louise Kehoe

Apple Computer has turned in record fourth-quarter revenues, boosted by strong sales of multimedia personal computers and its new Power Macintosh models. Earnings picked up significantly as costs declined.

Revenues totalled \$2.4bn, a 16 per cent increase over last year's fourth quarter, and the highest quarterly figure in Apple's history. Net income for the three months was \$114.7m, or 55 cents a share, compared with \$7.7m, or 2 cents, a year ago.

Apple said quarterly unit shipments exceeded 1m computers for only the second time in its history.

Mr Michael Spindler, president and chief executive officer, attributed the increase to strong demand for multimedia versions of its Macintosh computers, notebook computers and its new Power Macintosh desktop computers.

Strong demand has led to a shortage of some of these products, Apple said.

During the quarter the company shipped more than 550,000 Power Macintosh personal computers and upgrades, bringing the total to more than

600,000 units since the products were introduced in March.

The company has set a goal of shipping 1m Power Macintosh personal computers and upgrades in the first 12 months.

Apple said its earnings improvement was the result of strong revenue growth combined with higher gross margins and lower operating expenses. Gross margins improved to 27.2 per cent of net sales, compared with 25.7 per cent in the fourth quarter of 1993.

Operating expenses declined to 19.6 per cent of sales, from 25.4 per cent, and represented one of the lowest operating expense ratios in Apple's history.

For the full year revenues were \$9.19bn, a 15 per cent increase over fiscal 1993, while net income jumped to \$310.2m, or \$2.61, against \$86.6m, or 73 cents.

Included in the company's results for fiscal 1994 was a pre-tax charge of \$30.9m for restructuring and other expenses.

Fiscal 1994 results include a pre-tax gain of \$126.9m related to a reduction in the company's estimates of restructuring costs.

Securities business holds back Travelers

By Richard Waters
in New York

Travelers, the broad-based US financial services group, was held back by difficult conditions in the financial markets in the three months to the end of September.

The company reported a marginal advance in earnings per share to 97 cents, up from 96 cents a year before.

Profit growth was dampened by a fall in operating earnings at Smith Barney, the group's securities business.

Smith Barney reported earnings of \$73.9m, down from \$118.8m, even though the year-ago period included only a two-month contribution from Shearson, the retail bro-

ker. Travelers bought from American Express.

Mr Sanford Weill, chairman and chief executive, said the stability of the group's consumer lending and life assurance businesses had enabled it to withstand the difficult conditions in the brokerage business.

Earnings from consumer finance rose 10 per cent to \$66m, while operating profits from life assurance were 13 per cent higher, at \$50m.

Overall, Travelers reported net income for the period of \$931m, compared with \$924m the year before.

In the 1993 period, the group, then known as Primerica, had yet to buy out the whole of the Travelers insurance company.

Anglovaal Group

Mining companies' reports - Quarter ended 30 September 1994

Haribeesfontein Gold Mining Co Ltd

Reg. No. 002002006

Issued capital: 112 000 000 shares of 10 cents each

	Quarter ended 30 Sept 1994	Financial year ended 30 June 1994	Financial year ended 30 June 1994
Operating results			
Gold mined - t	785 000	767 000	3 138 000
Gold recovered - kg	6 242	6 550	27 975
Yield - g/t	8.0	8.5	8.9
Revenue - Rm	344.60	276.59	368.28
Costs - Rm	277.26	277.26	254.34
Profit - Rm	67.34	99.33	103.94
Revenue - R/kg	43 337	44 145	41 038
Costs - R/kg	34 906	35 550	29 318
Profit - R/kg	8 432	11 695	11 720
Revenue - R000	270 508	288 153	1 149 705
Costs - R000	217 875	213 208	820 178
Profit - R000	52 634	75 945	329 527

Low-grade gold plant			
Gold mined - t	474 000	471 000	1 913 000
Gold recovered - kg	75 103	78 045	324 481
Yield - g/t	1.24	1.41	1.49
Revenue - Rm	54.02	64.31	62.62
Costs - Rm	28.59	27.72	28.28
Profit - Rm	25.43	36.59	34.34
Revenue - R/kg	43 692	45 546	42 016
Costs - R/kg	30 167	16 506	16 331
Profit - R/kg	13 525	29 040	25 685
Revenue - R000	25 604	30 288	119 789
Costs - R000	11 818	12 526	46 559
Profit - R000	13 786	17 762	73 230

Financial results	R000	R000	R000
Working profit - gold mining	66 420	93 707	402 757
(Loss) from sales of by-products	(2 148)	(1 308)	(1 308)
Profit before taxation	64 272	92 400	401 449
Non-mining income	5 964	6 815	33 632
Profit after taxation	70 236	99 215	435 081

Interest paid, stores adjustment and employee service benefits: 111 627 3 706

Profit before taxation and State's share of profit: 70 125 97 240 429 375

Profit after taxation and State's share of profit: 28 013 56 852 212 226

Capital expenditure: 5 709 17 917 46 936

Appropriation for loan repayments: 228

Dividends: 95 200 172 200

Development: 5 709 17 917 46 936

Advanced: 7 525 7 192 28 957

Sampling results on Vaal Reef: 1 474 1 286 6 028

Channel width - m: 59 50 50

Channel value - g/t: 22.6 22.9 31.4

Channel value - cm g/t: 1 329 1 335 1 575

Channel value - cm g/t: 0.58 0.48 0.64

Channel value - cm g/t: 32.58 28.12 32.07

Financial: The financial results include the results of hedging transactions.

Hedging transactions: As at 30 September 1994, the Company had sold the following portion of its future gold production:

Ten months ending: Kg of gold sold: 2 115

30 April 1995: R39 284

Dividend: First dividend No. 77 of 85 cents per share, declared in May 1994, was paid in July 1994.

Capital expenditure: Outstanding commitments at 30 September 1994 are estimated at R2 000 000 (30 June 1994: R1 755 000).

For and on behalf of the board: B.E. Harverson, R.A.D. Wilson, Directors

Directors: B.E. Harverson D.M.S., Hon. LL.D., (Chairman), B.J. Barmann Hon. LL.D., J.J. Goldsmith, N. Meyer, C.S. Munn, C.L. Suter, R.A.D. Wilson

Alternate directors: P.J. Erasmus, B.J. Farnon, G.J. Potgieter, J.E. van Hecke, N.H. Williams

Eastern Transvaal Consolidated Mines, Ltd

Reg. No. 010044206

Issued capital: 88 333 580 shares of 2.5 cents each

	Quarter ended 30 Sept 1994	Financial year ended 30 June 1994	Financial year ended 30 June 1994
Operating results			
Gold mined - t	94 805	92 577	370 965
Gold recovered - kg	885	887	3 480
Yield - g/t	9.1	9.6	9.4
Revenue - Rm	389.46	417.48	385.40
Costs - Rm	301.81	316.95	288.54
Profit - Rm	87.65	100.53	106.86
Revenue - R/kg	43 886	43 573	41 510
Costs - R/kg	33 014	33 080	29 788
Profit - R/kg	10 871	10 493	10 722
Revenue - R000	38 670	38 649	144 454
Costs - R000	29 217	29 342	107 039
Profit - R000	9 453	9 307	37 415

Financial results	R000	R000	R000
Working profit - gold mining	9 453	9 307	37 415
(Loss) from sales of by-products	(238)	(1 051)	(2 394)
Profit before taxation	9 215	8 256	35 021
Non-mining income	248	586	1 288
Profit after taxation	9 463	8 842	36 309
Capital expenditure	1 072	1 509	3 598
Dividends	284	284	284

Interest paid, stores adjustment and appropriation for rehabilitation costs: 2 418 175 2 848

(Loss)/profit before taxation: (540) (1 351) 2 495

Capital expenditure: 1 814 (1 074) 1 814

(Loss)/profit after taxation: (2 357) (277) 681

Capital expenditure: 1 363 825 4 398

Appropriation for loan repayments: 12 47 187

Development: 1 376 872 4 588

Advanced: 4 658 4 807 19 204

Sampling results: Kimberley reef: 122 96 496

Channel width - m: 107 124 119

Channel value - g/t: 7.3 7.2 7.2

Channel value - cm g/t: 784 971 856

Channel value - cm g/t: 256 520 1 340

Channel width - m: 7 9 9

Channel value - g/t: 20.6 24.3 18.9

Channel value - cm g/t: 1 983 1 645 1 430

One reserves: The total ore reserve at 30 September 1994, based on a gold price of R47 700 per kilogram, is estimated as follows:

Tonnage: 54 200 1 442 200 336 700 1 8

INTERNATIONAL COMPANIES AND FINANCE

Philip Morris recovery continues with 27% rise

By Richard Tomkins
in New York

Philip Morris, the US food and tobacco group, continued its bounce-back from last year's depressed figures with a 27 per cent surge in net profits to \$1.2bn in its third quarter.

In April last year Philip Morris cut the price of Marlboro cigarettes and its other premium brands in the US to win back market share from low-cost rivals. This led to a series of adverse quarterly earnings comparisons which only began to abate in the second quarter of this year.

The biggest single component of the profits growth reported yesterday was the recovery in Philip Morris's domestic tobacco operations. Operating income from this

division shot up by 40 per cent to \$883m because volumes rose in response to the company's increased market share.

The company also saw profit increases in its other food and tobacco divisions. International tobacco increased operating income by 18 per cent to \$600m. International food was up 12 per cent at \$235m. North American food up 6 per cent at \$518m, and Miller Brewing up 18 per cent at \$111m.

Overall, group revenues rose by 19 per cent to \$2.7bn. Earnings per share advanced 28 per cent to \$1.42, a touch above the \$1.40 expected by analysts, but in early trading the shares eased back 4% to \$61 1/4 in a falling market.

Philip Morris said it sold 201bn cigarettes world-wide during the quarter, up 16 per

cent from the comparable quarter's figure.

Outside the US, the volume of cigarettes sold rose by 19 per cent to 144bn, with growth in most markets except Turkey, where sales were affected by poor economic conditions.

In the US, Philip Morris said profits from tobacco had been boosted by the fact that a greater portion of the volume mix came from premium brands. It quoted figures suggesting that Marlboro's market share had risen to a record 29.1 per cent in August. Seven percentage points higher than the period just before last year's price cuts.

Mr William Murray, chairman, said he was confident the company would be able to sustain its strong momentum.

Sprint soars 29% in term as cellular side surges

By Tony Jackson in New York

Sprint, the third largest US long-distance telephone company, claimed an "outstanding" third quarter with net income up 29 per cent to \$230m, or 68 cents a share.

The fastest growth came in cellular operations, where operating profits were almost tripled at \$33m. This was almost 30 per cent more than the division made in the whole of 1993, Sprint said.

Profits from long-distance calls were up 31 per cent at \$165m, with intense competition in the consumer market offset by growth in business services. The long-distance division had made record sales and operating profits for nine quarters in a row, Sprint said.

In local calls, sales rose 7 per cent to \$1.1bn, with the number of local access lines installed up nearly 5 per cent. However, operating profit was ahead only 1 per cent as a result of lower call charges.

"In the fourth quarter, we will continue to adjust prices to position ourselves more competitively in the marketplace," Sprint said.

The number of Sprint's cellular customers grew 64 per cent year-on-year to 883,000. This was the eighth successive quarter in which numbers had grown by more than 50 per cent, Sprint said.

Group sales rose 13 per cent in the quarter to \$3.23bn. Interest payable fell 14 per cent to \$99m, and operating cash flow was \$887m.

Sprint said it was confident its planned \$1.5bn capital investment programme could be carried out without recourse to external finance.

US banks battle to maintain pace

The headline on a recent report from PaineWebber banking analyst Mr Lawrence Cohn said it all: "This is about as good as it gets."

With bad-debt charges lower than at any time for years and lending margins still only slightly below their cyclical peaks, US commercial banks' profits are surging. But the concern for share prices in the sector is that it is difficult to see how the momentum can be maintained.

Each of the three biggest New York-based banks - Citicorp, Chemical and Chase Manhattan - comfortably exceeded market expectations with third-quarter earnings reported yesterday.

While Citicorp's 22 per cent return on capital in the third quarter was a year earlier, US commercial lending fell to \$30.2bn from \$34.7bn, while consumer lending, where margins are generally higher, rose to \$26.5bn from \$24bn.

Net income was lower than a year before, when profits had been boosted by a tax credit. Leaving aside this factor, after-tax income rose 24 per cent over the year-ago quarter.

Chase Manhattan also benefited from a lower loan-loss provision, which fell from \$215m in the 1993 period to \$100m. Total revenues remained steady at \$1.64bn,

	US BANKS - THIRD-QUARTER RESULTS			
	Net income		EPS	
	1994	1993	1994	1993
Citicorp	994	628	1.67	0.97
Chemical	439	502	1.00	1.14
Chase Manhattan	306	257	1.49	1.25
Wells Fargo	217	165	0.88	0.73
BancOne	283	295	0.68	0.73
Mellont	78	139	0.64	1.25

* Citicorp net income \$255m and earnings per share \$1.25 a year ago, excluding one-off tax benefit and merger-related charges. † Mellont excluding improving related to takeover of Dreyfus net income would have been \$167m and earnings per share \$1.50 in the latest period.

profits were buoyed by a fall in the loan-loss provision to \$100m in the current quarter from \$285m a year ago.

The bank's net interest margin, meanwhile, fell by five basis points (hundredths of a percentage point) to 3.68 per cent. The decline was held in check by a shift in the mix of loans from a year earlier. US commercial lending fell to \$30.2bn from \$34.7bn, while consumer lending, where margins are generally higher, rose to \$26.5bn from \$24bn.

Net income was lower than a year before, when profits had been boosted by a tax credit. Leaving aside this factor, after-tax income rose 24 per cent over the year-ago quarter.

Chase Manhattan also benefited from a lower loan-loss provision, which fell from \$215m in the 1993 period to \$100m. Total revenues remained steady at \$1.64bn,

while operating costs rose 4 per cent.

The net interest margin, meanwhile, slipped 18 basis points from a year ago, to 3.81 per cent. Mr William Maletz, head of investor relations, said the decline reflected the growth of lower-yielding liquid trading account assets held by the bank. The pressure on margins in part reflects growing competition in the credit card and residential mortgage businesses.

Chase said it expected margins on these products to increase next year, as it launches new credit card products to compete with the growing array of non-bank co-branded cards in the US market and as the residential mortgage business recovers from this year's low level of refinancing activity.

While total loans remained steady with a year before, consumer lending increased by \$4.5bn to \$27.4bn, commercial lending fell \$1.5bn to \$25.9bn and the bank's real estate portfolio fell \$1.7bn to \$12.2bn.

Wells Fargo's earnings were supported by a \$6m gain from changes made to its portfolio of premises. Otherwise, total revenues were largely unchanged. Loan-loss provision fell to \$50m, from \$120m in the third quarter of 1993.

While loans grew 4 per cent, the net interest margin fell 12 basis points, to 5.53 per cent. BancOne, meanwhile, saw after-tax earnings fall by 14 per cent, in part the result of the interest-rate management policy it adopted before the turn in US rates this year.

The bank had already reported a \$10m loss from the sale of \$30m of US government bonds during the quarter. Mr John McCoy, chairman, said yesterday: "We remain committed to reduce [our] exposure to rising interest rates."

The earlier interest-rate policy was part of the reason behind the fall in the bank's net interest margin, from 6.11 a year ago to 5.27 per cent in the latest period. The bank blamed this fall in the margin on higher interest rates and "increased competition in loan pricing".

Richard Waters

US drugs companies advance

By Richard Waters
in New York

Merck and Eli Lilly, the US pharmaceutical companies, each reported underlying double-digit sales growth for the three months to the end of September, in spite of pressure on drug prices in the US and around the world.

At Merck, sales of human and animal health products grew by 11 per cent. This was in spite of the effect of lower prices, mainly in non-US markets, which shaved two percentage points off sales growth.

As with Lilly, foreign exchange differences added one percentage point to sales growth in the period.

Merck's overall sales of \$3.8bn were up from \$2.5bn a

year ago, due to its acquisition of Medco Containment Services, the pharmacy benefit management company, at the end of last year.

Medco's lower profit margins mean that net income from a year ago was up only 11 per cent, at \$78m, while earnings per share were flat at 62 cents.

Merck did not provide a detailed breakdown of sales of its various drugs, but said the advance had been led by a range of its newer products.

Eli Lilly, meanwhile, reported a 26 per cent jump in pharmaceutical sales compared with a year before, primarily due to the success of Prozac, its market-leading anti-depressant.

The high sales of Prozac

were based in part on a build-up in inventories by wholesalers before a price rise, Lilly said.

The company is currently locked in discussions with US regulators over its own planned acquisition of a pharmacy benefit management company, PCS.

Overall sales growth in the US came in spite of pressure on prices from managed-care organisations and higher rebates manufacturers are being forced to pass on to Medicaid, the government-run healthcare scheme for the poor, Lilly said.

Net income reached \$131m on sales of \$1.63bn, compared with \$94.4m on sales of \$1.58bn a year before. Earnings per share were \$1.10, up from \$1.00.

Mexico gives approval to finance groups

By Damian Fraser
in Mexico City

Mexico has given preliminary approval to almost all the international banks, brokerages and insurance companies that applied earlier this year to open up subsidiaries.

The finance ministry announced on Monday night that 18 of 20 banks seeking authorisation will be given licences, 16 of 17 brokerages, and 12 of 13 insurance companies. No decisions were announced for applications for factory companies, exchange houses, non-bank banks, and investment funds. Approval for one leasing company was given, although 12 originally applied.

The government expected the new institutions to invest about \$1.2bn after final authorisation. The finance ministry said foreign banks' capital will initially account for 6.25 per cent of domestic banking capital, against the 8 per cent limit set for 1994 under the North American Free Trade Agreement. Brokerages will take up the maximum 10 per cent limit, with individual capital requests of applicants scaled back.

Under the trade agreement, limits on foreign capital in the banking and brokerage sector are gradually increased until finally scrapped at the end of the decade. Non-US and Canadian banks applied for licences from their North American subsidiaries.

The two institutions that were either denied or dropped their request were the International Bank of Commerce and Morgan Stanley (which received a licence to open a brokerage).

With some institutions - such as Citibank, J.P. Morgan, Chemical bank - making applications for banks and brokerages, the total number of foreign institutions that are to receive authorisations reached 40.

With the exception of Citibank, the banks that received preliminary authorisation are expected to concentrate on corporate lending, leaving the retail market to Mexican counterparts.

Poorer yields take toll on JCI gold division

By Mark Suzman
in Johannesburg

The gold division of South African mining house Johannesburg Consolidated Investments, which is due to be spun off to black investors early next year, has reported a sharp drop in profits for the September quarter.

Although ore production rose 5 per cent to 2.7m tonnes from 2.55m tonnes in June, a lower average yield meant overall gold revenue increased by only 3.5 per cent to \$587.5m (\$157.6m) from \$589.1m.

Group profits fell 36.6 per cent to \$98m from \$154m, as all the group's mines reported poorer after-tax profits.

However, this was blamed largely on accounting changes to the previous quarter's results, most notably the restatement of figures to reflect a successful insurance claim at Western Areas.

As a result, Western Areas showed the most dramatic fall in after-tax profit, of 51.7 per cent to \$36.5m from \$75.4m. Randfontein was down 21.8 per

cent to \$60.3m from \$76.9m. Struggling HJ Joel fell 37.7 per cent, with after-tax profits down to \$1.4m from \$2.37m, in spite of a shift to a seven-day working week.

However, Mr Kennedy Maxwell, gold division chairman, said the results were satisfactory in the prevailing climate. He was optimistic that the gold price would remain in its current trading range of \$370-\$400, which would benefit the group.

● Randgold and Exploration, the troubled mining group subject to a management takeover by a consortium led by British merchant bank S.G. Warburg in August, has continued its downward slide, as two of its four mines reported a loss for the September quarter.

Overall, the group's net attributable profit dropped sharply to just \$4.3m from \$30.8m the previous quarter. This was in spite of an improved gold price.

Only Harmony, which reported profits after capital expenditure of \$8.6m, up from \$7.5m in June, showed improvement.

Japanese stores hit as luxury goods sales slow

By Emiko Terazono
in Tokyo

Slow demand for luxury goods hurt interim sales at Japanese department stores. In spite of last summer's rise in consumer confidence due to a cut in income tax and hot weather.

Takashimaya posted a 3.8 per cent decline in unconsolidated sales to ¥342bn (\$3.94bn) for the first six months to August because of sluggish consumer and corporate demand.

Pre-tax profits jumped 2.5 times to ¥978m due to a ¥6bn cut in costs although after-tax profits fell 31.3 per cent to ¥1.32bn.

For the full year to February, the company expects pre-tax profits to rise 20.3 per cent to ¥3.3bn on a 2.9 per cent decline in sales to ¥703bn.

Daimaru said parent sales for the first half fell 2.4 per

cent to ¥261.4bn while pre-tax profits dropped 20.7 per cent to ¥1.1bn. After-tax profits rose 3.4 per cent to ¥528m.

Sales of women's wear rose 2.5 per cent, but sluggish furniture and consumer electronics sales hurt revenue growth. The company cut costs by ¥1.8m.

Pre-tax profits for the full year are forecast to fall 4.6 per cent to ¥4.5bn on a 1.2 per cent decline in sales to ¥336.6bn.

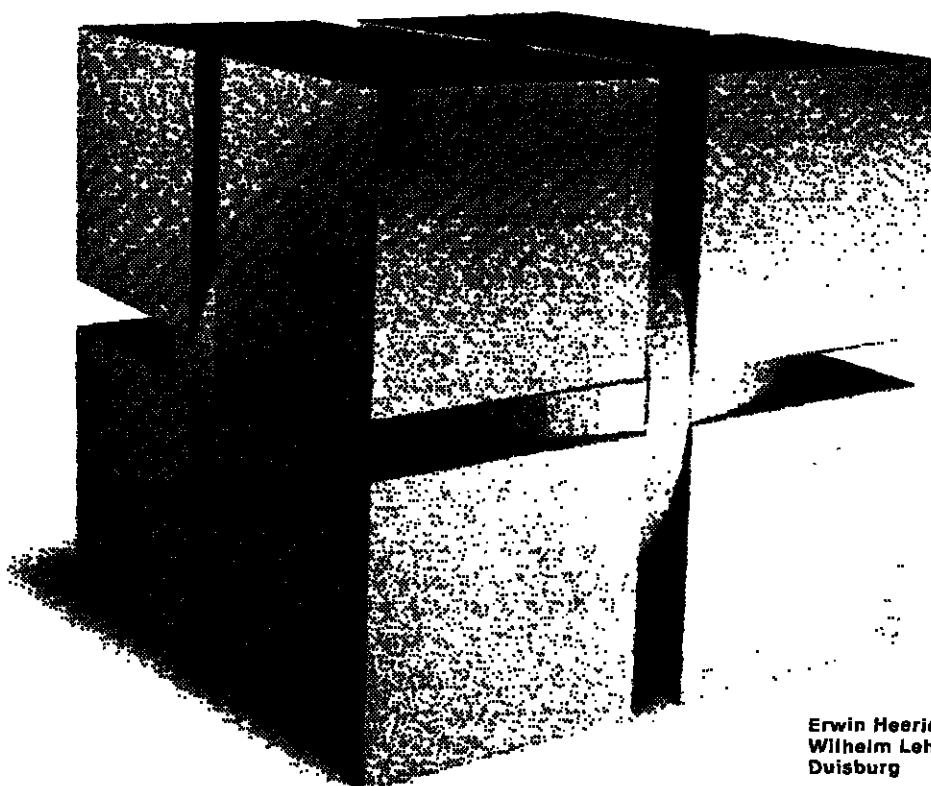
Matsumoto said non-consolidated pre-tax profits for the first six months to August dropped 46.6 per cent to ¥711m. Sales declined 6.7 per cent to ¥214.9bn due to lower spending per customer.

After-tax profits fell 25 per cent to ¥574m. For the full year to next February, it expects sales to fall 4.8 per cent to ¥437bn and a 22.8 per cent decline in pre-tax profits to ¥2.2bn.

FRANKFURTER HYPO

The Pfandbrief

Eight strong arguments for our product



Erwin Heerich, no name, Wilhelm Lehmbruck Museum Duisburg

The yield on our Pfandbriefe is higher than the return on public-sector bonds. They guarantee a fixed rate of interest throughout their life. They offer a broad spectrum of maturities for individual investment planning. Furthermore, they provide excellent liquidity: our Pfandbriefe can be sold at any time through the stock exchange. The security given to the investor by virtue of the German Mortgage Bank Act makes them an especially attractive offering on all financial markets. Their outstanding quality has been acknowledged since 1987 by the "AAA" rating of the international rating agency Standard&Poor's. Finally, the reliability of Frankfurter Hypo as an issuing house for over 130 years is a further sound argument. In a nutshell, Frankfurter Hypo Pfandbriefe provide the solid foundation for your capital formation.

Frankfurter Hypothekbank AG, Junghofstraße 5-7, D-60311 Frankfurt, Fax 01049/69/29898-219

Frankfurter Hypothekbank

"This is an investment advertisement issued by Frankfurter Hypothekbank AG being approved by Deutsche Bank AG London, a member of the SFA pursuant to the rules of the SFA. Since the investments are issued and regulated in Germany, the protection provided by the U.K. regulatory system does not apply and these investments are excluded from the U.K. Investors Compensation Scheme."

THE AETNA INTERNATIONAL UMBRELLA FUND

Société d'investissement à capital variable
47, Boulevard Royal, L-3449 Luxembourg
R.C. Luxembourg No. B 27.471

We have the pleasure to inform the shareholders of

THE AETNA INTERNATIONAL UMBRELLA FUND

that the interim dividend for the year 1994 was declared with a payment date of October 14, 1994 for all the shareholders on record date at the close of business October 3, 1994. The dividend rate for each sub-fund is as follows:

	Class A	Class B
Australian Dollar Bond Fund	AS\$ 0.0824	0.0705
Canadian Dollar Bond Fund	CS\$ 0.0845	0.0710
DEM	0.0804	0.0684
US\$	0.0838	0.0725
Deutsche Mark Bond Fund	DM\$ 0.0449	0.0383
Managing European Bond Fund	US\$ 0.0716	0.0592
Swedish Bond Fund	SE\$ 3.8768	2.5504
US Dollar Bond Fund	DEM 0.0680	0.0438
Yen Bond Fund	DEM 0.0607	0.0300
Deutsche Mark Liquid Reserve Fund	US\$ 0.0282	0.0215
Swedish Liquid Reserve Fund	US\$ 0.0282	0.0215
US Dollar Reserve Fund	YEN 5.0658	0.0000
Yen Liquid Reserve Fund		

By Order of the Board of Directors

HMC MORTGAGE NOTES S PLC

£150,000,000
Class A
and
£7,500,000
Class B

Mortgages Backed Floating Rate
Noted due July 2000

Notice is hereby given that for the

Interest Period from October 17,

1994 to January 15, 1995 the Class A

Notes and Class B Notes will carry

interest rates of 6.250% and

6.375% respectively. The interest

payable on the relevant interest

payment date, January 15, 1995 for

the Class A Notes will be £1,380.00

per £100,000 nominal amount and for

the Class B Notes will be £1,375.00

per £100,000 nominal amount.

By: The Citicorp Mortgage Bank, S.A.,
London, Agent Bank

October 19, 1994

INTERNATIONAL CAPITAL MARKETS

Treasuries fall as focus returns to inflation fears

By Patrick Harverton
in New York and Conner
Middleman in London

US Treasury prices weakened at the long end of the maturity range yesterday morning in the wake of higher oil prices and bearish comments from a Federal Reserve governor.

By midday, the benchmark 30-year government bond was down 1/8 at 96, yielding 7.842 per cent. Prices were also slightly weaker at the short end, with the two-year note off 1/8 at 99 1/2, to yield 6.567 per cent.

In the absence of fresh economic statistics, the market's attention was focused on inflation fears and US monetary policy. Prices firmed slightly in early trading on rumours that the Fed's vice-chairman had told a Japanese newspaper

there would be no more tightening of US policy this year. The rumours, however, proved unfounded, and prices retreated later, after Ms Susan Phillips, a Fed said that the US

GOVERNMENT BONDS

economy was growing at a "surprising" pace.

This was bearish for the bond market, which remains fearful the Fed will raise interest rates again soon to restrain economic growth. Investor concerns about another rate rise have also been exacerbated by the recent weakness in the dollar, which remained in a sticky condition yesterday morning.

Another factor depressing bonds was the price of oil,

which climbed for the second consecutive day yesterday amid what appeared to be a wider, general trend toward firmer commodity prices.

European government bonds eased on profit-taking after Monday's rally, and some traders said the markets were set for a period of consolidation. In Germany, which led Monday's gains, the 10-year security weakened by around 1/4 point. The December bond futures contract on Liffe was quoted at around 90.75 in late trading, down 0.25 point on the day.

Having rallied substantially before Sunday's election, and then continuing their gains on Monday, bonds ran out of steam yesterday in the absence of news or capital flows. "Bonds have had a very good

run and are in for a period of consolidation or even a slight correction," said a trader in London.

However, dealers said bonds were underpinned by technical factors in the futures market, where many see 90.50 as strong support. Moreover, dealers hope that money supply data, expected in the next few days or early next week, may show a further deceleration in M3 growth, lifting hopes of another easing in monetary policy.

French bonds again did worse than their German counterparts, as investors continued switching out of France into Germany, traders said.

The French market remains dogged by political uncertainty ahead of next year's presiden-

tial elections. The yield spread on French 10-year bonds over bonds widened by another two basis points to 70 basis points.

UK gilts followed the rest of Europe, with the December long gilt future ending down 1/8 at 102.

The Bank of England announced the terms of next Wednesday's gilt auction for £2.5bn of a new 5 per cent gilt due 2000. The terms were largely in line with market expectations, although some dealers said they had anticipated a slightly higher coupon.

Although sentiment has not been negative, some observers expect the market to consolidate in the near future. "In the run-up to the auction the market may come under a bit of downward pressure," said

Mr Simon Briscoe, UK economist at S.G. Warburg Securities.

Shrugging off weakness in most markets, Swedish government bonds posted small gains on a hawkish inflation report by the Riksbank. They were also encouraged by comments from the new finance minister, Mr Goran Persson indicating that, in addition to the SKR1bn savings plan announced before the elections, the government aimed to undertake further fiscal tightening in January through further spending cuts.

Dealers also welcomed the make-up of the central bank's new policy board, which was seen likely to urge the government to maintain its course of fiscal tightening.

Bank launches Baltic hedge fund

By Norma Cohen,
Investments Correspondent

Banks in the Baltic states of Estonia, Latvia and Lithuania are seeking dollar-denominated assets through a new investment fund which will buy local bank Treasury bills and certificates of deposit.

The Baltic Cash Fund, an offshore hedge fund registered in the Cayman Islands, has been launched by Latvia's International Bank of Riga and its wholly-owned fund management subsidiary, Baltic Asset Management (BAM). The two British directors of BAM are directors of Quantec, a UK-based consulting firm specialising in active quantitative fund management applications.

The fund, which has applied for listing on the Irish stock exchange, hopes to raise \$40m from large institutional investors with minimum invest-

ments of \$100,000 each.

It will invest primarily in short-dated bank paper with an average maturity of 60 days from Latvia and Lithuania, and in commercial paper from Estonia. Fund managers said rates on these instruments can be as high as 25 per cent for US dollar-denominated bank CDs; government Treasury bills, in local currency, can earn more than 20 per cent.

"These rates reflect the shortage of the hard currency required by the banks for lending to local enterprises as the Baltic economies continue to develop rapidly," said Mr Algar Sevels, chief executive officer of BAM. He said Baltic entrepreneurs needed hard currency for trade with neighbouring countries such as Russia, where the soft rouble fell by more than 30 per cent in the first 11 days of October.

Liffe in talks on link-up with Simex

Liffe is exploring the potential for co-operation with the Singapore International Monetary Exchange, as part of its strategy of seeking links with exchanges outside the European time zone, writes Richard Lapper.

The discussions with Simex concern non-Japanese products, with an initial focus on the euro market contract.

Simex, the third largest centre for dollar/D-Mark business in the world and the largest in Asia, already uses the final settlement price of the Liffe euro market contract to settle its own euro market contract.

Liffe is also in talks with the Tokyo International Financial Futures Exchange (Tiffe) on an arrangement to distribute a euro-denominated contract. It already has a separate arrangement with the Tokyo Stock Exchange for the Japanese government bond contract.

Steady demand for Austrian bank's offering

By Graham Bowley

The eurobond market saw a large number of new issues yesterday in a variety of currencies, with Österreichische Kontrollbank's \$400m offering of five-year bonds the main attraction.

INTERNATIONAL BONDS

The fixed-rate bonds, which mark the Austrian bank's first foray into the dollar sector since September 1993, were priced to yield 17 basis points over US government bonds.

Syndicate managers said the pricing was quite tight compared with similar eurobonds already in the market, such as the World Bank's five-year global bond, trading at 11 basis points over, and Japan Development Bank's eurobond, which is trading at 22 over. Nevertheless, they found steady demand from retail

investors in Switzerland and the UK, and good institutional support, lead manager Goldman Sachs said.

One syndicate manager said: "The deal should have come around 20 basis points over, but nevertheless it will go well."

Another official said: "They chose the right part of the yield curve to marry retail and institutional demand, although not all the bonds will be sold at 17 over."

The bonds are due to be freed to trade this morning, after being held in syndicate overnight for the opening of the Japanese market.

The return of cautious optimism to government bond markets following the German elections, and a shortage of US economic statistics this week has boosted new eurobond issuance in recent days, syndicate officials said.

"There has been a lot of activity in the last couple of days on the back of the elec-

NEW INTERNATIONAL BOND ISSUES									
Amount	Coupon	Price	Maturity	Yield	Spread	Book runner			
500m	7.50	98.703R	Nov 1998	0.25R	+177/16-99	Goldman Sachs International			
100m	8.00	98.00R	Nov 1998	0.25R	-	West Merchant Bank			
75m	8.50	98.50R	Nov 1998	0.25R	-	West Merchant Bank			
50m	8.50R	100.00R	Nov 1997	0.25R	+273/16	UBS			
100m	8.75	99.50	Nov 1997	0.25R	-	Varoatch Int'l (Europe)			
500m	9.75	101.58	Nov 2001	2.25	-	Reynolds Landbank			
2000m	10.15	98.55R	Jul 1998	1.375	-	BC/Capital/JP Morgan/Pacific			
100m	10.50	101.45	Dec 2004	2.125	-	Hambros Bank			
250m	5.75	102.50	Nov 2000	2.25	-	Govt/Ernst/Ernst/Ernst/Ernst			
150m	5.75	102.25	Nov 1998	1.75	-	Govt/Ernst/Ernst/Ernst/Ernst			

tion in Germany," said one salesman. "We are also approaching the year-end and many lead managers are bidding to move up the league table."

Late in the session, Abbey

National First Capital BV launched a \$500m offering of 10-year bonds priced at 62.5 basis points over US government bonds.

In the lira sector, the European Investment Bank

launched a £200m offering of four-year bonds, with a coupon of 10.15 per cent, fungible with the £400m offering of bonds launched last week. Sources said the proceeds were swapped into floating-rate lire.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS									
	Coupon	Red Date	Price	Yield	Week	Month	Year	Year	Year
Australia	9.000	09/04	92.7300	-0.470	10.18	10.10	10.10	10.10	10.10
Belgium	7.250	04/04	92.8200	-0.050	8.25	8.44	8.44	8.44	8.44
Canada	8.000	09/04	94.2500	+0.100	11.50	12.00	12.00	12.00	12.00
Denmark	7.000	12/04	96.8000	-0.150	7.70	8.95	8.92	8.92	8.92
France	8.000	05/08	102.0000	-0.180	7.38	7.48	7.58	7.58	7.58
Germany	5.500	04/04	93.7100	-0.050	9.10	9.10	9.10	9.10	9.10
Italy	7.500	09/04	100.8800	-0.110	7.85	7.85	7.71	7.71	7.71
Japan	4.500	08/04	92.0300	-0.200	11.62	11.71	11.81	11.81	11.81
Norway	6.000	09/08	102.8000	-0.310	4.35	4.14	4.31	4.31	4.31
Spain	4.100	12/05	95.8000	-0.250	4.74	4.75	4.85	4.85	4.85
Sweden	7.250	04/04	96.3400	-0.280	7.34	7.82	7.84	7.84	7.84
Switzerland	8.000	05/04	92.4000	-0.440	11.05	11.08	11.37	11.37	11.37
UK Gilt	8.000	05/04	96.30	-0.32	8.40	8.51	8.58	8.58	8.58
US Treasury	8.750	11/04	98.04	-0.32	9.52	9.58	9.02	9.02	9.02
EU (French Govt)	9.000	10/08	103.30	-0.352	9.51	9.57	9.57	9.57	9.57
US Treasury	7.250	09/04	97.14	-0.32	7.82	7.87	7.82	7.82	7.82
EU (French Govt)	7.500	11/04	96.30	-0.32	7.85	7.85	7.80	7.80	7.80
US Treasury	8.400	04/04	94.4700	-0.120	8.43	8.59	8.21	8.21	8.21

London closing, New York mid-day. 1 Gross, including withholding tax, 0.5 per cent payable by non-residents. Source: Reuters. US, UK in \$100m, others in £100m.

US INTEREST RATES

1-month 7.25% 3-month 7.25% 6-month 7.25% 9-month 7.25% 12-month 7.25%

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

Source: Reuters. US, UK in \$100m, others in £100m.

10-year 7.25% 30-year 7.25%

COMPANY NEWS: UK

English China makes \$45.4m chemicals buy

By Tim Burt

English China Clays, the minerals and chemicals group, is making its first acquisition since its decision earlier this year to demerge Camas, its construction materials arm, and expand the specialty chemicals division.

In the first stage of a \$100m (£63m) acquisition strategy, the group said it was paying \$45.4m for EZE Products, the US supplier of specialty chemicals to the paper and surface-treatment industries.

The deal will strengthen ECC's presence in the North American chemicals industry, where it established a foothold last year with the \$200m acquisition of Calgon, the former Merck subsidiary.

Mr Andrew Teare, chief executive, predicted the group would also make a similar sized purchase in continental Europe, although a deal was not imminent.

"We're pleased to get a decent size acquisition under our belts, and we will now focus the business on production for the paper industry," he said.

City analysts, however, said the move looked expensive given that EZE's net assets were valued at \$7.4m, a sixth of



Andrew Teare, European deal planner, but not imminent

the purchase price, at the end of last year.

"On a pro forma basis, it would have made a negligible profit contribution," said one analyst. "Chemicals will remain only a small part of ECC, and I think it will be 1996 before we see a sizeable profits increase from specialty chemicals."

EZE last year made profits of \$1.2m, before tax and interest, on turnover of \$33.7m. In the same period, Calgon contributed \$7.2m to ECC's \$106.2m operating profits.

Mr Teare, however, said the

business would not only improve ECC's exposure to the fast-growing paper chemicals market, but would give it an important presence on the west coast and in the southern US.

The company would also achieve annual cost savings of \$3.1m following its integration into Calgon, he added.

Although Calgon's paper operations will be relocated from Pittsburgh to EZE's manufacturing base in South Carolina, the new subsidiary was warned that up to 20 per cent of its 235 staff would be made redundant.

The acquisition is being funded from cash resources, and is expected to push net borrowings up to \$190m for gearing of about 35 per cent.

It is expected to use further borrowing to finance its next chemicals acquisition, but gearing should remain modest while ECC continues to sell its land bank, which is worth up to \$70m at present market prices.

Analysts applauded the industrial logic behind the diversification into specialty chemicals, but predicted it could be earnings dilutive in the short-term.

The shares closed down 2p at 365p.

Paterson Zochonis shares fall on warning

By David Blackwell

Shares in Paterson Zochonis fell 51p to 438p yesterday after the detergent and soap manufacturer warned that profits for the current half year would be hurt by problems in Nigeria.

The statement accompanied results for the year to the end of May showing pre-tax profits up from £24.3m to £28.1m, while sales increased from £233.4m to £266.6m.

Operating profits at the group, 65 per cent held by the Zochonis family, the directors and related interests, were ahead from £11.5m to £15.4m. The share of profits from associated companies - mainly in Nigeria - increased from £3.1m to £4.7m.

Nigeria accounts for about 30 per cent of sales. Mr Alan Whitaker, finance director, said that the group's operations there were suffering from a lack of foreign exchange in the banking system, hitting their ability to import sufficient raw materials.

Factory throughput would have to be reduced, Mr Whitaker said, and exports of chemicals from the UK to Nigeria would also fall.

He hoped to see some improvement after the Nigerian budget at the beginning of next year.

The second most important contributor to the group is Cussons in the UK, which accounted for sales of about £65m. Mr Whitaker said Cussons, owner of the Imperial Leather brand, had improved its share of the liquid soap market from 5 to 20 per cent, and had slightly increased its market share for conventional soap to 23-24 per cent.

The Polish detergents operation, acquired in March last year, exceeded expectations and contributed £25m to turnover.

Profits were ahead in Australia and Thailand, and the Indonesian operations looked like moving into the black this year.

Profits in Greece recovered from low olive oil prices and a decision on a second factory was expected soon.

The pre-tax line was struck after investment income of £13.9m (£16.4m) and payment of £5.57m (£5.73m) in interest. The balance sheet shows investments of £167m.

Mr Whitaker said further acquisitions were possible, but they were likely to be modest purchases in areas where markets were expanding, such as eastern Europe.

Earnings per share emerged at 36.6p (32.01p). A final dividend of 11.4p is proposed, taking the total for the year to 13.85p (12.6p).

NEWS IN BRIEF

FRIENDLY HOTELS has signed an agreement with Choice Hotels International, whereby all 27 hotels operated by Friendly in the UK, France and Denmark will become Choice franchisees for 10 years.

In addition, Friendly has been granted a 10-year management agreement by Choice for the 125-bedroom Comfort Inn in Cromwell Road, London.

LAWS GROUP has bought Yorkshire-based Maltin Fertilisers.

JERMYN INVESTMENT Company's underwritten rights issue has been accepted in respect of 2.4m shares (£0.01 per share). MEDIA TECHNOLOGY Corporation's offer for Ecast Broadcast has been accepted in respect of 70.6m shares (68.6p per share) taking the total

shares it controls to 106.3m (88.27 per cent).

MINMET, Dublin-based mineral explorer, made pre-tax profits for six months to June 30 of £62,322 (£51,800), against £125,364.

PASCOE'S GROUP has sold its wholly-owned subsidiary, Kenworthy Garden Products, for £330,000 cash. The disposal is in line with its strategy to concentrate on the development of its core branded pet foods.

SAFELAND has transferred a retail property in Castle Square, Weoley Castle, Birmingham, to its subsidiary, Safeland Investments. The book value after transfer is £340,000 and total rental income is £92,825 a year.

SOUTHERN's wholly-owned subsidiary, Kenyhill, has acquired a further 50 per cent in Eastern Eye Publications for £270,000, increasing its holding to 60 per cent. Eastern Eye publishes a weekly paid-for newspaper targeted at young Asians which sells mainly in the London, Birmingham and Manchester areas.

Valuation of cellular components group well below expectations Filtronic Comtek priced at 105p

By Paul Taylor

Shares in Filtronic Comtek, a manufacturer of components for the cellular mobile telecommunications industry, were priced yesterday at 105p each.

This values the group at £44.1m, well below expectations which had ranged as high as £60m.

The company is placing 23.8m shares - 57 per cent per cent of the enlarged equity - with institutional investors.

The flotation price is understood to have been marked down "to a more realistic" level after discussions with potential investors and in the light of market conditions.

In recent weeks several new issues - including Independent British Healthcare, Martin

Retail Group and Seaperfect - have been postponed while a handful of other recently listed companies are trading well below their offer prices.

Mr Tim Linacre, a director of corporate finance at Panmure Gordon, the underwriter, sponsor and broker to the Filtronic Comtek issue, acknowledged that the price was "at the bottom of the range" of forecasts.

He pointed out, however, that under a share option scheme covering five directors and other key employees, exercisable over the next six years, a further 6.8m shares could be issued following the group's market capitalisation, based on the flotation price, to £51.3m.

Mr Linacre admitted that the new issue market had been "a bit sticky" in the wake of the

share price collapse of some recent new issues such as Aerostructures Hamble. However, he said there had been good demand from institutions for Filtronic Comtek shares, "which had been priced sensibly".

Under the placing 9.5m shares are being sold by existing shareholders including Professor David Rhodes, the Leeds University academic who formed the original Filtronic company in 1977. Filtronic Comtek was demerged from Filtronic at the end of June.

Prof Rhodes, the executive chairman, is raising £1.4m through the placing but will retain an 11.5 per cent interest in the expanded capital.

The remaining 14.3m shares in the placing are being issued

by the company to raise £13.8m net of expenses.

Prof Rhodes said the net proceeds "will be used to fund the expansion, including investment in new facilities, capital equipment and research and development, as well as reducing borrowings and providing funds for working capital."

Sales in the company, which manufactures high technology products for use in cellular telephone base stations, have grown from £1.23m in 1992 to £10.2m in the year to May 31.

Over the same period pre-tax profits have increased tenfold to £1.1m, equivalent to fully diluted earnings per share of 2.38p.

The shares are due to start trading on Monday.

Stakis hotels improve in last quarter

By James Buxton

Stakis, the hotels and casinos group, yesterday reported an encouraging performance in its hotel operations and some improvement in its casinos in the last quarter of its financial year.

The company was issuing its first quarterly trading statement and will not produce its results for the year to October 2 until January 10 1995.

In the hotels division there was a 1 percentage point rise in occupancy in the quarter to

77.9 per cent, whereas in the year there was a 1.2 points rise to 69.7 per cent.

Stakis pushed up its average room rate by £1.57 in the quarter to £41.61 and by £1.89 in the year to £41.63.

The average number of rooms available increased from 3,788 in the third quarter of 1993 to 4,201 in the third quarter of 1994, which reflects the acquisition of four hotels.

However, Stakis said none of the newly purchased hotels had made a big impact on the result for the year. Two of

them, the Arundel Hotel in West Sussex and the Bath Hotel, Avon, were only acquired in the summer.

The Norwich Hotel, Norfolk, acquired in April, made a broadly neutral contribution and the Coburg Hotel in London, acquired in March, suffered from low margin tour business which had been accepted before the hotel changed hands.

In casinos, attendances rose by 7 per cent over last year as a whole, but were up only 0.6 per cent in the quarter. Average spend per head on casino

chips rose by 8.1 per cent to £134 in the quarter and by 6.8 per cent cumulatively to £126.

Cash drop - the total amount spent on chips - was up 8.8 per cent in the quarter and 13.8 per cent in the year, mainly reflecting the addition of three new casinos in the Midlands.

However, the gaming margin (the percentage of bets which the casino retains) fell by 0.8 percentage points to 17.3 per cent in the quarter, though it was 0.2 percentage points higher in the year as a whole.

Emap expands magazine distribution

By Raymond Snoddy

Emap, the publishing and exhibitions group, is expanding its presence in the magazine distribution market in the UK through a joint venture with Hachette Distribution Services.

Hachette is forming a 50-50 joint venture with Frontline, a consortium in which Emap is the majority shareholder. The other Frontline shareholders are the BBC and Haymarket.

Frontline, founded by Emap, is devoted to the distribution and trade marketing of magazines produced by its three owners and that will continue.

The new distribution company, called Seymour, will be aimed at "third party business" - distributing magazines for other organisations under contract.

Emap already has close links with Hachette. They publish jointly three former Murdoch titles, Elle, Elle Decoration and Sky.

NEWS DIGEST

Bowater in talks with Nampak

Bowater, the packaging and printing group, is in discussions with Nampak, South Africa's largest packaging group, which might lead to the merging of their UK blow moulded plastic container businesses.

Bowater's Polysystems business could be merged with that of Blowmopan, a UK-based company owned by Nampak, in return for equity in Blowmopan. The businesses have a combined turnover of about £28m.

Castle Mill losses

Castle Mill International, the wholesale distributor of clothing, saw pre-tax losses increase from £256,000 to £322,900 in the first half of 1994. Turnover was virtually unchanged at £10.4m.

The company said the result reflected the seasonal nature of turnover in Fashion Accessories International and continuing pressure on margins from retailers who are reluctant to raise prices in highly competitive markets.

Losses per share were 1.58p (1.84p).

Finsbury Smaller

Finsbury Smaller Companies Trust, managed by Finsbury Asset Management, plans to raise up to £15m before expenses through an issue of C ordinary shares.

A placing of up to 10m C shares and an offer for subscription of a further 5m C shares at 100p each will be made. Existing shareholders

have priority over up to 10 per cent of the offer for subscription.

The C shares will be convertible into ordinary shares at the earlier of March 31 1995 or when 80 per cent of the aggregate assets attributable to the C ordinary shares have been invested in smaller companies.

Sponsor to the issue is SG Warburg.

Taylor Woodrow

Taylor Woodrow, the construction group, has continued its expansion in Florida with the \$17m (£11m) purchase of a 313-acre development site in Naples on the Gulf coast.

The site has planning approval for 799 homes and a golf course. There are plans to complete the infrastructure and landscaping within the next few months and to develop a country club.

The building of homes, with prices between \$150,000 and \$350,000, should begin early next year.

The move follows the \$20m purchase last month of 652 acres in Palm Beach County in a joint venture with Kenco Communities, a US developer.

Taylor Woodrow is at present involved in six other developments in Florida.

Premier Health

Because of an expected shortfall at its US offshoot, Nursing Management Services, second half operating profits of Premier Health Group were likely to be lower than the first half, the health services group warned.

The winding down of a large contract in Atlanta had contributed to the shortfall. The company said the recent signing of new contracts should

help to alleviate this though the full benefit of these contracts would only be felt in 1995.

Templeton Latin

Templeton Latin America Investment Trust had a fully diluted net asset value of 96.3p per share at June 30, a fractional decline on the initial value of 96.5p on May 3, the date of the trust's market listing.

Net revenue for the period from March 4 - the date of incorporation - to end-June was £12,000 for earnings of 0.03p per share.

Whitchurch listing

Whitchurch Group, the meat processing and distribution company, has applied for admission to the Official List. Permission is expected to be granted today with first dealings tomorrow.

In February, Shore Capital placed 2.73m shares and raised £12.8m for the company. The shares currently trade under Rule 4.2 at 64p, giving the group a market capitalisation of £7.23m.

HK Trust assets up

The Hong Kong Investment Trust lifted net asset value per ordinary share by 8 per cent - from 60.8p to 65.64p - during the 13 months to June 30.

The Tynall-managed trust reported net revenue of £287,740 (£401,077) for earnings of 1.94p (2.01p) per share. The proposed final is 1.1p for a total of 1.85p (1.75p).

Berry Birch lower

Berry, Birch & Noble, the USM-quoted financial adviser, reported pre-tax profits down

from £460,000 to £380,000 in the half year to July 31.

Turnover advanced from £2.58m to £4.05m but increased operating costs resulted in lower profits. The company said action had been taken to cut costs, the full benefit of which would be seen in 1995.

Earnings per share were 4.4p (5.3p) and the interim dividend is cut from 2.1p to 1.5p.

The shares fell 9p yesterday to 95p.

Wm Bedford warns William Bedford, the USM-traded antique dealer and restorer, staged a profits recovery as sales almost doubled in the six months to June 30.

On turnover of £1.34m (£851,556), the pre-tax line confirmed the recovery shown in the second half of the preceding year with profits of £96,706 against losses of £10,896.

Earnings per share were 1.8p (losses of 0.2p).

However, Mr John Bedford, chairman, warned that margins remained "under considerable pressure" and sounded a warning on current trading.

"The recovery in sales [in the first half] has not so far been maintained in the second half. Sales in July were significantly below those of last year, while August and September have been exceptionally quiet."

Ldn & Strathclyde London & Strathclyde Trust raised net asset value by 8p to 268.8p per share over the year to August 31.

After-tax revenue increased from £216,000 to £281,000 in the 12 months and earnings per share came to 6.03p (5.58p). The proposed final dividend is held at 4.25p for a same-gain total of 5.75p.

Henry Boot advances by 10% despite pressure on margins

By Richard Wolfe

Henry Boot, the construction and property group, increased pre-tax profits by 10 per cent at the interim stage despite pressure on margins in building and civil engineering.

The Sheffield-based company reported pre-tax profits of £25.7m (£23.35m) on turnover up 11 per cent from £54.6m to £72.1m for the six months to June 30.

However, it warned that overcapacity in the market would continue to depress pre-tax margins - down slightly to 3.57 per cent (3.63 per cent) - as increased house sales were not accompanied by price rises.

"There is still a lot of compe-

titition for too little work," said Mr Jamie Boot, managing director. "We are overcoming that to a large degree by being fairly selective in the type of work we tender for, tendering for building work rather than civil engineering."

The company's outlook on construction activities improved after winning a £26m contract at Connaught Quay power station, near Chester, from GEC-Alsthom.

Housing sales increased in the early part of the year, but have slowed since May. The company said the housing market was still coming to terms with the interest rate rise in September, although demand had recovered this month.

The overall performance was helped by property investment and development activities, which enjoyed a high level of enquiries from institutions for ongoing developments.

Earnings per share climbed 8 per cent to 6.5p (6.3p). The interim dividend is 1.85p (1.7p).

NEWS IN BRIEF

FRIENDLY HOTELS has signed an agreement with Choice Hotels International, whereby all 27 hotels operated by Friendly in the UK, France and Denmark will become Choice franchisees for 10 years.

In addition, Friendly has been granted a 10-year management agreement by Choice for the 125-bedroom Comfort Inn in Cromwell Road, London.

LAWS GROUP has bought Yorkshire-based Maltin Fertilisers.

JERMYN INVESTMENT Company's underwritten rights issue has been accepted in respect of 2.4m shares (£0.01 per share). MEDIA TECHNOLOGY Corporation's offer for Ecast Broadcast has been accepted in respect of 70.6m shares (68.6p per share) taking the total

shares it controls to 106.3m (88.27 per cent).

MINMET, Dublin-based mineral explorer, made pre-tax profits for six months to June 30 of £62,322 (£51,800), against £125,364.

PASCOE'S GROUP has sold its wholly-owned subsidiary, Kenworthy Garden Products, for £330,000 cash. The disposal is in line with its strategy to concentrate on the development of its core branded pet foods.

SAFELAND has transferred a retail property in Castle Square, Weoley Castle, Birmingham, to its subsidiary, Safeland Investments. The book value after transfer is £340,000 and total rental income is £92,825 a year.

SOUTHERN's wholly-owned subsidiary, Kenyhill, has acquired a further 50 per cent in Eastern Eye Publications for £270,000, increasing its holding to 60 per cent. Eastern Eye publishes a weekly paid-for newspaper targeted at young Asians which sells mainly in the London, Birmingham and Manchester areas.

THE OPORTO GROWTH FUND LIMITED

ANNUAL GENERAL MEETING AND AUDITED ANNUAL REPORT

NOTICE IS HEREBY GIVEN that the 1994 Annual General Meeting of the Company will be held at Chase House, Grenville Street, St Helier, Jersey, CI on 9th November 1994 at 2.30pm for the following purposes:-

1. To receive the Company's accounts for the year ended 30th June 1994
2. To re-appoint the Auditors.
3. To authorise the Directors to fix the remuneration of the Auditors.
4. To discuss any other business of an Annual General Meeting.

Voting arrangements for IDR-Holders

IDR-holders who wish to vote must follow the procedure explained hereunder.

IDR-holders must deliver the IDR's to the Depository at the latest on 2nd November, 1994 at the address given below (attention Securities Department - telephone 322 508 8215 - telex 21732 MORBK S), instruct the Depository as to the manner in which votes be cast, and indicate to whom the IDR's should be returned after the meeting.

or instruct Euroclear or CEDEL to block the number of shares for which they want to vote and to vote on their behalf.

IDR-holders who wish to vote are also requested to transfer to Morgan Guaranty Trust Company of New York, New York for account 670-01-422 of Morgan Guaranty Trust Company of New York, Brussels, a fee of US\$3 - per IDR in respect of which a vote is cast.

Depository: Morgan Guaranty Trust Company of New York, Avenue des Arts, 35 Kunstlaan, Bruxelles, 1040 Brussels.

Copies of the audited Report to Shareholders reporting on the Fund's performance for the year ended 30th June 1994 will be available from 10th November 1994 on request.

Persons interested in receiving copies should contact: Lehman Brothers Investment Management (Jersey) Limited, Chase House, Grenville Street, St Helier, Jersey, Channel Islands.

or The Royal Bank of Scotland PLC, Registrars Department, PO Box 348, Regents House, Islington High Street, London N1 8XL

INTERNATIONAL DEPOSITARY RECEIPTS

REPRESENTING SHARES PAR VALUE \$2.50 COMMON STOCK

J.P. MORGAN & CO. INCORPORATED

A cash distribution of \$ 0.68 per Depositary share will be payable on or after the 21st

October 1994, upon presentation of Coupon No. 98 at:-

Morgan Guaranty Trust Company of New York
35 Avenue des Arts
1040 Brussels
Belgium

Banque Internationale à Luxembourg
2 Boulevard Royal
L-2553, Luxembourg

At the designated rate less applicable taxes.

This distribution is in respect of the regular quarterly dividend payable on the common shares P.V. \$ 2.50 J.P. Morgan & Co. Incorporated on 14th October 1994

Petroleum Argus Oil Market Guides

"Comprehensive explanations of the oil markets"

Petroleum Argus

CALL NOW for further details (44 71) 353 8792

Barrs claim majority backing for campaign

By Richard Wolffe

Nicholas and Robert Barr, the brothers who are attempting to unseat their uncle, Mr Malcolm Barr, as chairman of Barr & Wallace Arnold Trust, yesterday claimed that the holders of more than 50 per cent of the voting shares were backing their campaign.

The brothers said they had majority support among ordinary shareholders for their attempts to take control of the board and change strategy at the motor distribution and leisure group. Mr Kerry Firth, a Barnsley-based businessman who owns 16 per cent of voting shares, is one of those who has pledged support.

Nicholas and Robert are the sons of Mr Stuart Barr, the managing director who died two years ago. They speak for nearly 30 per cent of the group's voting shares.

However, the Barr & Wallace board launched a counter attack yesterday by proposing to enfranchise the company's non-voting shares, owned mainly by institutions. Ironi-

cally, enfranchisement has been one of the rebels' principal proposals.

The board said that a vote on enfranchisement would take place before an EGM called by the Barr brothers. The brothers demanded the EGM last week to unseat Mr John Parker, chief executive, and Mr Brian Small, finance director. Malcolm Barr said: "Enfranchisement is such an important issue in terms of increasing shareholder value and future progress of the group that it merits being voted on in its own right."

The board is proposing a 1-for-1 scrip issue to ordinary shareholders to compensate them for the loss of voting control. It also intends to maintain the final dividend on the enlarged share capital.

A circular is to be sent to shareholders no later than October 20, with a meeting expected by mid-November. The Barr brothers plan to split the group's motor and leisure divisions and reduce central overheads.

"We felt for some time that

the two divisions did not have anything in common and gained no strategic benefit by being linked to each other," said Nicholas Barr, who was development director of the Barr & Wallace motor division until his resignation in September last year.

"I got a lot of personal post-up frustration by seeing the group spend money on hotels and not being able to develop the motor business."

"We also believe there are potentially more effective ways to use the company's capital than buying property assets. The board has failed to find sensible niche markets to bolt on to the leisure activities."

The board counters the brothers' arguments by pointing to a 40 per cent rise in pre-tax profits in the six months to June. Pre-tax profits stood at £223,000 on turnover up 15 per cent to £124m.

Mr Small and Mr Parker were appointed in May. Since then operations disposed of include Trust Leasing, sold to Robert Barr for £2.15m in July.

Further defence likely from Attwoods

By Peggy Hollinger

Attwoods, the waste services company fighting a hostile £364m bid from Browning-Perris Industries of the US, is expected to publish a second defence document towards the end of next week.

Much could depend on this document, with US investors expecting to take a firm view on the offer after its publication. "At this stage, the question is will Attwoods be able to put enough arguments in the second document or give a profits forecast to keep investors in the shares", one shareholder said.

The document is likely to include further details on prospects for 1995 and indications on the value of Attwoods' assets and business.

A third document, which could include its first quarter results, is also expected before November 11. This is the last date for publication of new financial information and should reinforce earlier indications on 1995 profits.

This could put BFI under increased pressure to raise its bid, following Attwoods' results last week which showed improvements in core operations. Institutions are believed to want either an increase, or an equity alternative. An equity option is unlikely, however, given the effect on BFI's earnings.

BFI is offering 100p in cash and has received acceptance from Attwoods' 29.8 per cent shareholder, Laidlaw of Canada. A further 25 per cent is held by two institutions in the US, Fidelity and Templeton Investments. Fidelity has recently reduced its stake from almost 14 per cent to less than 12 per cent.

Mr Ken Foreman, Attwoods' chief executive, is due to begin a round of presentations in the US today. He will argue the bid undervalues his company. It is already clear that institutions accept BFI's argument that future growth will come through providing integrated waste services.

Scantronic Holdings, the security components company, is raising a total of £2.8m net in new equity and borrowings following agreement from its shareholders at an extraordinary meeting.

About £1.2m is being raised through a placing and open offer of 16.1m new ordinary shares at 16p each while a further £1.6m will be provided by additional bank facilities. The proceeds would provide sufficient working capital for the group's current needs, the directors said.

They also announced that there would be pre-tax losses of about £2.4m for the half year to September 30 after an exceptional £1.7m reflecting the costs of the revised bank facilities and recent reorganisation of the group's operations. Profits last time were £1.4m restated.

Losses per share are expected at 7.71p (1.4p earnings). The directors do not expect to make any dividend payments, including preference dividends, for this year.

Boardroom shake-up at Arcon

By Kenneth Gooding, Mining Correspondent

A boardroom row at Arcon International Resources, the Irish company in which Mr Tony O'Reilly, chairman of Heitz Foods, has a 23 per cent stake, has resulted in the resignation of Mr Richard Conroy as chairman and chief executive.

Mr James Jones, director responsible for finance, and Ms Maureen Jones, responsible for administration and management, have also given up their executive functions but, like Mr Conroy, who founded Arcon, are staying on the board.

Arcon said that it had been informed by the three directors "of their declared inability to carry out their respective executive functions as, in their opinion, the company had been laterally and wrongfully managed."

Mr Conroy said last night that for the past 2½ years his executive functions were gradually eroded "until it became a nonsense. In practice we were not observing any serious executive function."

He said he would consult his lawyers but "I don't wish to harm the company I founded."

Mr Brendan Gilmore, who has been appointed chairman and chief executive, said he did

not know why the directors had taken this action. "We refute totally any allegations of constructive dismissal."

He said the one contentious issue between Arcon and Mr Conroy was the private company he set up last year and whether it was to become an exploration company. If it was, there would have been a possible conflict of interest.

Mr Gilmore said Arcon was at an exciting and strenuous stage, and, once the directors announced last week they had given up their executive roles, the gaps had to be filled immediately. Mr Tony O'Reilly Jr has been appointed deputy chief executive, Mr Gilmore's

previous role.

Arcon is preparing to start a \$65m (\$41m) lead-zinc mine at Galmoy in County Kilkenny, Ireland's first new base metals mine for 20 years. With his associates, Mr O'Reilly controls 29.9 per cent of the company while Outokumpu, the state-owned Finnish resources group, owns 21.6 per cent. Mr Conroy, with associates and family, owns about 5 per cent.

Mr O'Reilly moved into Arcon, then called Conroy Petroleum, when it acquired his Atlantic Resources for \$7.7m in 1992. Mr Conroy is also a professor at the Royal College of Surgeons in Dublin and an Irish Senator.

Why Walker has changed horses

John Gapper on the banker who is leaving Lloyds for Morgan Stanley

Sir David Walker did not look a disappointed man yesterday.

This was despite having apparently forsaken the opportunity to chair Britain's most successful bank, and a leading FTSE 100 index company, for the sort of role at a US investment bank that is usually more ambassadorial than powerful.

Sir David's decision to become executive chairman of Morgan Stanley in Europe rather than wait for the apparent certainty that he would succeed Sir Robin Lubs at Lloyds Bank raises fresh questions for Lloyds.

The bank now has to find both a new chairman and chief executive - to replace Sir Brian Pitman - in the next two years.

Yet it also appeared enigmatic for Sir David himself. Most European chairmen of US investment banks have been non-executives appointed to bring contacts and act as figureheads. Is that the role for someone who describes himself as being "reasonably creative" and having "huge energy"?

Sir David's answer is an emphatic "yes" on two grounds.

One is the nature of his role at Lloyds, where he thought his job would be "more executive than is the case" when he arrived in July 1992. It then seemed that he was being groomed for a rapid elevation with Sir Robin as a caretaker.

But Sir Robin, a former executive director of ICI and head of Lady Thatcher's cabinet office "think tank" from 1980 to 1982, now appears to be rather enjoying himself at Lloyds. He has indicated that



he would prefer to hang on to the reins until the annual meeting after his 70th birthday.

The second reason is the nature of the role he is being offered at Morgan Stanley. At 54, the former chairman of the Securities and Investments Board, the City regulator, says he could be non-executive chairman of a FTSE 100 company "in six or seven years' time, if I want that" but has more active ambitions now.

Sir David admits that the European chairman of a US investment bank is normally "an introducer or a public affairs chap". But his job will be as executive chairman of European operations. He will

also be a member of the New York board of directors that runs Morgan Stanley throughout the world.

Morgan Stanley needs such a role as a result of its rapid growth in the past two years. It generated \$1.25bn (\$790m) of revenues in Europe last year, and if its rate of expansion continues it could produce more revenue from Europe than the US by the turn of the century.

The firm already employs Mr Francis Maude, the former UK cabinet minister as managing director of global privatisation work.

Lord Richardson of Dumfriesshire, the former governor of the Bank of England, is also a member of the international

advisory board based in its Canary Wharf offices.

Executive responsibility for Europe is split between its joint chief executives, Mr Steven Ward and Mr Stephen Waters. Mr Waters said yesterday that it would "probably become a triumvirate rather than a duet" once Sir David had worked his way in and understood the firm's activities.

Mr Waters, who takes particular responsibility for mergers and acquisitions work, and equities, said the firm "obviously wanted a senior figure who knew his way around the City", and hoped to boost its presence in the domestic UK market to the level achieved in some continental European markets.

Sir David argues that his role at Morgan Stanley will be one of "collaborating, helping, co-ordinating and contributing", as well as helping to decide how the firm should allocate capital in Europe. Its rate of growth means that there are competing claims among different country operations.

He emphasises that as the only employee of the firm in London without functional responsibility, he will have a role in arbitrating between businesses. "One of the challenges is to ensure that people in business units do not become so entrenched that we miss synergies," he says.

Nonetheless, Sir David's move is likely to reduce his previous visibility as a senior City figure, given the roots of his new employer on Wall Street. Morgan Stanley's European growth will have to live up to expectations to compensate for what he is sacrificing at Lloyds.

Sidlaw calls for £23.7m to fund two-year reorganisation

By Peter Pearce

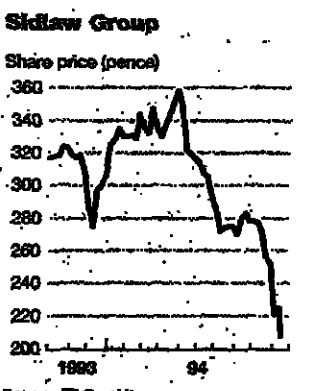
Sidlaw Group, the Scotland-based packaging, oil services and textiles company, yesterday launched a £23.7m rights issue to fund a two-year reorganisation and capital expenditure programme for its packaging division.

The issue was priced at 180p a share. The shares closed down 17p at 208p.

At the same time, it announced that pre-tax profits for the year to September 30 would be in line with expectations at not less than £14.5m (£11.1m) and that earnings would be at least 20p (20.3p).

It also said that, while the textiles division remained in the black - operating profits for the six months to March 31 were £238,000 (£298,000) on turnover of £13.3m (£12.2m) - the division was no longer central and would be sold.

In July 1993, the group acquired the flexible packaging businesses of Courtaulds for £78m, funded in part by a £53m rights issue at 275p. Mr Digby



Morrow, chief executive, said that "more than half of the current expenditure needed for the division could not have been foreseen at the time of the acquisition".

Mr Morrow said the division, while "exceeding expectations", had "pressing requirements". He did not want to get to the position where customers could be disappointed. Behind the cash call, he said, lay the need to provide a pan-

European service, called Transflex, operated in partnership with the customer.

This "partnering" involved standardisation of product quality across the plants in the UK, the Netherlands, France and Spain. At the same time the cost base needed to be reduced, said Mr Morrow, via reorganisation and upgrading of production facilities.

While the rights is raising some £24m, the group will have access to a total of £36m, thanks to a £12m additional borrowing capacity. Reorganisation will use up £15m; support for customers - particularly a greenfield investment "for an extended blue chip customer's expansion" - will take £9m; about £5m will be invested in the French and Spanish plants; and some £3m will go on another production line in Bristol.

The initial effect of the rights issue will be to reduce gearing, which stood at 73 per cent at the half-way point. Morgan Grenfell are the underwriters and Cazenove the brokers.

Recovery in rental levels behind Town Centre advance

By Christopher Price

A recovery in rental levels helped Town Centre Securities, the Leeds-based property group, report a 9 per cent rise in annual profits to £8.31m yesterday.

Mr Edward Ziff, chairman, said the company had increased its purchases in the retail market to take advantage of the rise, although this had so far been limited to the top end of the market. "The prime retail market is stronger than it's been in terms of rental value and incentives to let are being withdrawn at a rate of knots," he said.

An internal property valuation showed values increased

by 11 per cent and helped net asset value per share rise 20 per cent to 150.63p (125.18p), and by 21 per cent to 148.98p (123.07p) on a diluted basis.

The shares gained 5p to 123p yesterday.

The freehold proportion of the group's investments jumped from 66 to 96 per cent following the purchase of the freeholds on the Merrion Centre in Leeds and a smaller site in Wakefield, West Yorkshire. These boosted the group's investment expenditure from £10m to £15m for the year.

Mr Ziff said that secondary retail sites were still not showing any signs of rental growth. "Rent review activity is very

tough in those areas," he said. The pre-tax figure was slightly ahead of most forecasts and prompted analysts to generally move their profit forecasts for 1994-95 ahead slightly. The average moved from about £8.5m to upwards of £9m, with a net asset value of about 170p.

Gross revenue for the year to June 30 rose 10 per cent to £20m (£18.2m). The tax charge declined from £2.4m to £1.8m, leaving earnings per share ahead 19 per cent to 6.75p (5.65p). The dividend is increased from 3.4p to 3.8p, with a final of 2.8p.

A 1-for-4 scrip issue was also announced.

Scantronic raises £2.8m

Scantronic Holdings, the security components company, is raising a total of £2.8m net in new equity and borrowings following agreement from its shareholders at an extraordinary meeting.

About £1.2m is being raised through a placing and open offer of 16.1m new ordinary shares at 16p each while a further £1.6m will be provided by additional bank facilities. The proceeds would provide sufficient working capital for the group's current needs, the directors said.

They also announced that there would be pre-tax losses of about £2.4m for the half year to September 30 after an exceptional £1.7m reflecting the costs of the revised bank facilities and recent reorganisation of the group's operations. Profits last time were £1.4m restated.

Losses per share are expected at 7.71p (1.4p earnings). The directors do not expect to make any dividend payments, including preference dividends, for this year.

Laporte aims to fill gap with Perchem deal

By Tim Burt

Laporte, the speciality chemicals group, yesterday said it was discussing with Akzo Nobel the possible acquisition of the Dutch-based group's Perchem business.

The UK group wants to add Akzo Nobel's small UK subsidiary to fill a gap in its chemical production. Perchem manufactures so-called organoclay - absorbent products with applications ranging from adhesives in paints and inks to liquid clarification.

"The purchase price will probably be in the low

millions," Laporte said.

Although the details have yet to be finalised, the company yesterday received clearance from the department of trade and industry to pursue the deal. "Negotiations are therefore continuing with a view to a very early completion," the company added.

The move follows the merger last year of Akzo of the Netherlands with Nobel Industries, the Swedish chemicals group.

Since then, the group has divested from some non-core areas and concentrated on coatings, chemicals and pharmaceuticals.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total for year
Berry Bircb	1.8	Dec 2	2.1	-	5.4
Boat (Henry)	1.85	Nov 18	1.7	-	6.5
Hong Kong Inv	1.1	Nov 30	1	1.85	1.75
Laird & Strathclyde	4.25	Dec 30	4.25	6.75	5.75
Peterson Zoch	11.4	Dec 5	10.25	13.85	12.8
Riv & Marc Extn	1.989	Dec 2	1.989	7.875	7.875
SB	3.7	Jan 17	2.553	-	10.9
Town Centre	2.6	Jan 3	2.3	3.8	3.4

Dividends shown pence per share net except where otherwise stated. \$USM stock. *Third quarterly mailing 5p to date.

NEWS IN BRIEF

CARD CLEAR, the credit card fraud prevention company, has acquired its competitor Cardinal Data. Consideration was 907,500 ip shares, being 3 Card Clear shares for 2 Cardinal Data shares, and an inter-company loan of £109,000. HEALTHCALL GROUP is pay-

ing £127,500 cash for 51 per cent of Sheffield and Rotherham Nursing, which provides nursing staff to industrial, hospital, nursing home in South Yorkshire. And options exist whereby Healthcall could acquire the remaining shares for £122,500 in three years.

BIOTECHNOLOGY BUSINESS NEWS

The essential twice-monthly, global update on the biotechnology industry

Biotechnology Business News provides regular, authoritative reports of industry news, and identifies and comments on emerging trends. Drawing on the worldwide resources of the Financial Times and with correspondents in every significant business centre of the world, Biotechnology Business News can be relied upon as the definitive business analysis for this burgeoning new industry.

Twice a month, news and significant trends, with supporting statistics, are detailed and interpreted. Biotechnology Business News offers objective, authoritative information on major issues including:

Agriculture ■ Biological research products ■ Bio-pharmaceuticals ■ Company news
Energy ■ Environment ■ Health ■ Infrastructure ■ Research ■ Patents and licences
Policy and politics ■ Products and marketing

For a free sample copy, contact:
Financial Times Newsletters,
P.O. Box 3651 London SW12 8PH

Telephone: 081 673 6666 Fax: 081 673 1335

FT
FINANCIAL TIMES
Newsletters

COMMERCIAL POLICY GUIDE and PERSONAL POLICY GUIDE

PERSONAL POLICY GUIDE and COMMERCIAL POLICY GUIDE provide subscribers with clear, comparative summaries of the different types of cover available in all of the important personal non-life and commercial markets, analysed by class of business.

Key Features include:

- a summary of the variations between policies in each sector
- a "side by side" comparison of covers so that differences can be identified at a glance
- information on special underwriting criteria or preferences
- news of marketing strategies and new products.

The Guides will provide essential assistance in identifying the most appropriate cover as well as giving a valuable background of information for negotiations with insurers.

FREE SAMPLE BOOKLET

Simply complete the order form below, or attach your business card and we will send you a free booklet-sized sample of each guide completely free of charge.

Send me COMMERCIAL/PERSONAL POLICY GUIDE
FT Newsletters, P.O. Box 3651, London SW12 8PH
Tel: 081 673 6666 Fax: 081 673 1335
Please send me a FREE sample copy of:
☐ Commercial Policy Guide ☐ Personal Policy Guide
Name _____
Company _____
Address _____
Post code _____ Country _____
Tel _____ Fax _____

FT
FINANCIAL TIMES
Newsletters

F.T. Business Newspapers Ltd, Registered Office: Heather One Southwick Bridge, London, SE1 9HT, Registered in England No 00090

"I suppose it is a bit out of the way, but we did get a grant to move here!"

Should've talked to CNT.

Call 0800 721 721 Freefax 0800 221 177

Land and premises with added value.

The Property Finance Sourcebook 1994
Avoid expensive fees - go straight to the source. With this book you are the expert. The ultimate Property Finance Directory, indispensable for anyone interested in UK property. Call 071 495 1720.

SCU Futures
25 Ouseburn Place
Leeds LS2 9PL
Tel: 011 275 0000
Fax: 011 275 0000
Member SFA

FUTURES & OPTIONS BROKERS
\$32 ROUND TRIP
EXECUTION ONLY

Record western lead and zinc demand forecast

By Kenneth Gooding,
Mining Correspondent

Demand for both lead and zinc in the western world will reach record levels this year and rise again in 1995, helping to bring the markets back into balance gradually next year.

This optimistic message comes from the International Lead and Zinc Study Group, an intergovernmental organisation with members from 30 countries, which has been meeting in Vienna.

It says demand for the two metals will continue to be driven by strong growth in the US and a recovery in Europe. Zinc demand in Europe next year is forecast to reach 2m tonnes, a level not seen since 1991. But little change is expected in Japan.

However, the group said the outlook for lead was the more positive and added that it recognised "that the stocks of zinc in London Metal Exchange warehouses currently exceed 1.2m tonnes or 10

weeks of consumption". Production from zinc mines is therefore expected to fall again this year - by 2 per cent to 5.13m tonnes - after an 8 per cent drop in 1993. But zinc mine output is then expected to rebound, by 5 per cent, in 1995 as production is increased in Australia and Canada.

Exports, notably from China where zinc output rose substantially last year - by 200,000 tonnes to 857,000 tonnes - will continue to plague western markets this year, according to the group, but are expected to be below the 380,000 tonnes seen in 1993.

Zinc consumption is forecast to rise by 4 per cent to 5.76m tonnes this year and by a further 3.8 per cent to 5.97m tonnes in 1995. Zinc metal production is expected to be up by 1 per cent to 5.33m tonnes and by another 1.5 per cent to 5.45m tonnes in 1995.

The group says former eastern bloc countries are providing accurate data on their lead and zinc industries. It forecasts

zinc metal output in these countries will be about 1.61m tonnes this year and next, "depending on trends in the CIS", while consumption in both years will reach 960,000 tonnes.

Lead metal production in the former eastern bloc will be about 800,000 tonnes in 1994 and 1995, according to the group, while consumption will be 800,000 tonnes. In the western countries, lead consumption this year is forecast to grow by 5 per cent to 4.72m tonnes. Lead metal output is expected to rise by 3 per cent to 4.55m tonnes, most of which will be recycled metal. But about 2m will come from mines. Next year consumption is forecast to rise by 2 per cent to 4.83m tonnes, while metal production is expected to go up by 2 per cent to 4.65m tonnes, including 2.03m tonnes from mines.

Lead exports from eastern Europe are expected to remain "substantial" this year but might decrease in 1995.

EU urged to reduce sugar beet production

By Alison Maitland

The European Union should seize the opportunity of forthcoming reforms of the sugar regime to cut beet output and help competing cane producers in developing nations, according to a London-based development agency.

The Catholic Institute for International Relations said in a report "on the regime that the millions of tonnes of subsidised sugar the EU exported each year depressed world prices and deprived producers in developing countries of badly-needed foreign exchange."

It urged the EU to phase out the subsidies and to support the millions of tonnes of subsidised sugar the EU exported each year depressed world prices and deprived producers in developing countries of badly-needed foreign exchange.

US launches investigation of EU banana marketing regime

By Nancy Dunne
In Washington

The US is the latest combatant to enter the EU banana wars, claiming discrimination against US bananas.

"American banana marketing companies should be able to compete on a fair basis in the European market, just as European firms can here," says Mr Mickey Kantor, the US trade representative, who has launched an investigation of EU banana marketing practices under Section 301 of US trade law.

Kantor is also considering an investigation of the EU "Framework Agreement on

Bananas" reached with Costa Rica, Colombia, Nicaragua and Venezuela. The framework accord was negotiated as a result of a complaint filed by the Latin American producers under the General Agreement on Tariffs and Trade.

After a dispute settlement panel ruled against the EU, the Community agreed to modify its banana import regime which gave special access to former colonies in the Caribbean, Africa and the Pacific. It granted the four Latin American countries specific quotas based on their past share of the market, within an overall ceiling of 2.1m tonnes from Latin America.

Kantor said the framework permits the governments of Costa Rica, Colombia, Nicaragua and Venezuela to impose "in a discriminatory manner" export quotas and licenses on US banana marketing and distribution companies. In addition, it does not address the import licensing provisions of the EU-wide banana regime, agreed in July 1993.

Mr Kantor said he would not file a formal complaint against the framework until it is implemented. The regime is also under threat from Germany, which argues that it discriminates against its traditional suppliers in Latin America. Bonn has taken two cases chal-

lenging the quota system to the European Court. Kantor called on Latin American governments to work with the US in seeking reform of the EU's banana policy. But he threatened an investigation if any of the governments implements the framework pact "or takes alternative steps that appear to be unreasonable, unjustifiable and discriminatory against US companies".

Section 301 allows US companies - in this case Chiquita Brands International and the Hawaiian Banana Industry Association - to ask the US government's help in gaining relief from "unfair trade practices".

MARKET REPORT

Coffee still on roller-coaster

By Alison Maitland

Coffee futures trading continued its roller-coaster course in London and New York yesterday as nervous traders bet on which way the market is heading.

Robusta futures in London surged by \$272 to a day's peak of \$3,760 following strong gains in late trading in New York on Monday. But New York lost its nerve yesterday, leaving the January contract in London still up \$177 on the day at \$3,665 a tonne, but close to the day's low of \$3,660.

"It was purely speculative buying," said one trader. "The funds had gone short and they were forced to cover on the back of the potential problems

caused by the drought in Brazil."

The London market initially fell sharply on Monday following reports of light rainfall in coffee-growing regions of Brazil. This was seen as relieving the drought, which is expected to exacerbate next year's coffee shortfall caused by two severe frosts in June and July. However, a report from an independent US weather forecaster saying the drought was worse than the last serious one in 1985 helped to fuel the rebound in New York and London.

"It's a very, very nervous market," said the trader. "Nobody can put a firm figure on what the crop will be."

In afternoon trading in New York, second position arabica futures were down 5.05 cents

yesterday at 203 cents a pound.

On the London Metal Exchange copper prices recovered from Monday's fall and traders said there was still good support at \$2,450 a tonne, Reuters reports.

Three-month copper went to \$2,490 before easing back to close up \$12 at \$2,488.50.

A further 33,000 tonnes fell in aluminium stocks helped lift the price but resistance held at \$1,740 a tonne. Aluminium closed up \$16.75 at \$1,732.25.

LME WAREHOUSE STOCKS
(as at Monday's close)
Aluminium 23,800 tonnes
Aluminium alloy 25,600 tonnes
Copper 338,800 tonnes
Lead 38,475 tonnes
Nickel 14,186 tonnes
Zinc 128,350 tonnes
Tin 15,455 tonnes

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 PURITY (\$ per tonne)

Cash 3 months

Close 1715-14 1735-32.5

Previous 1688.5-5 1715-4

High/Low 1740/1725

AM Official 1715-14 1735-32.5

Kerb close 1729-9

Open int. 258,810

Total daily turnover 70,769

ALUMINIUM ALLOY (\$ per tonne)

Close 1700-10 1735-40

Previous 1685-06 1715-20

High/Low 1740/1720

AM Official 1720-05 1740-15

Kerb close 1735-40

Open int. 3,085

Total daily turnover 571

LEAD (\$ per tonne)

Close 643.5-44.5 655-56

Previous 640-41 651-2

High/Low 659.5/650.5

AM Official 643.5-44.5 654.5-55.5

Kerb close 658-5

Open int. 42,782

Total daily turnover 8,063

NICKEL (\$ per tonne)

Close 6580-90 6685-95

Previous 6550-50 6665-8

High/Low 6710/6680

AM Official 6680-50 6685-70

Kerb close 6685-90

Open int. 75,745

Total daily turnover 12,318

TIN (\$ per tonne)

Close 5380-400 5475-80

Previous 5380-50 5480-5

High/Low 5480/5465

AM Official 5380-90 5485-70

Kerb close 5480-90

Open int. 15,478

Total daily turnover 2,790

ZINC, special high grade (\$ per tonne)

Close 1054-55 1074-75

Previous 1053.5-4.5 1073-70

High/Low 1078/1067

AM Official 1050-51 1073-4

Kerb close 1073-4

Open int. 102,485

Total daily turnover 21,400

COPPER, grade A (\$ per tonne)

Close 2485.5-86.5 2488-89

Previous 2484-2 2479-7

High/Low 2488/2477

AM Official 2477-78 2479.5-80.5

Kerb close 2489-90

Open int. 215,781

Total daily turnover 11,817

LME AM Official 2/5 rates, 1.6140

LME Closing 2/5 rate, 1.6140

SPOT 1.6130 3 months 1.6116 6 months 1.6089 9 months 1.6063

HIGH GRADE COPPER (COMEX)

Close 117.15 117.40 116.40 1,794 223

Previous 115.20 115.40 114.30 1,331 81

High/Low 114.50 115.40 114.30 38,288 7,006

Jan 114.50 115.40 114.30 38,288 7,006

Feb 114.50 115.40 114.30 38,288 7,006

Mar 114.50 115.40 114.30 38,288 7,006

Apr 114.50 115.40 114.30 38,288 7,006

May 114.50 115.40 114.30 38,288 7,006

Jun 114.50 115.40 114.30 38,288 7,006

Precious Metals continued

GOLD COMEX (100 Troy oz.; \$/troy oz.)

Settle price change High Low

Oct 388.1 -0.7 - 80 29

Nov 388.8 -0.8 - 80 29

Dec 387.3 -0.8 382.9 381.1 84,710 16,728

Jan 387.7 -0.7 383.1 381.5 18,255 188

Feb 386.2 -0.7 381.7 380.5 5,140 16

Mar 386.7 -0.6 382.2 381.0 10,422 112

Apr 386.1 -0.6 381.6 380.4 12,304 112

May 385.6 -0.6 381.1 380.0 12,304 112

Jun 385.1 -0.6 380.6 379.5 12,304 112

Jul 384.6 -0.6 380.1 379.0 12,304 112

Aug 384.1 -0.6 379.6 378.5 12,304 112

Sep 383.6 -0.6 379.1 378.0 12,304 112

Oct 383.1 -0.6 378.6 377.5 12,304 112

Nov 382.6 -0.6 378.1 377.0 12,304 112

Dec 382.1 -0.6 377.6 376.5 12,304 112

Jan 381.6 -0.6 377.1 376.0 12,304 112

Feb 381.1 -0.6 376.6 375.5 12,304 112

Mar 380.6 -0.6 376.1 375.0 12,304 112

Apr 380.1 -0.6 375.6 374.5 12,304 112

May 379.6 -0.6 375.1 374.0 12,304 112

Jun 379.1 -0.6 374.6 373.5 12,304 112

Jul 378.6 -0.6 374.1 373.0 12,304 112

Aug 378.1 -0.6 373.6 372.5 12,304 112

Sep 377.6 -0.6 373.1 372.0 12,304 112

Oct 377.1 -0.6 372.6 371.5 12,304 112

Nov 376.6 -0.6 372.1 371.0 12,304 112

Dec 376.1 -0.6 371.6 370.5 12,304 112

Jan 375.6 -0.6 371.1 370.0 12,304 112

Feb 375.1 -0.6 370.6 369.5 12,304 112

Mar 374.6 -0.6 370.1 369.0 12,304 112

Apr 374.1 -0.6 369.6 368.5 12,304 112

May 373.6 -0.6 369.1 368.0 12,304 112

Jun 373.1 -0.6 368.6 367.5 12,304 112

Jul 372.6 -0.6 368.1 367.0 12,304 112

Aug 372.1 -0.6 367.6 366.5 12,304 112

Sep 371.6 -0.6 367.1 366.0 12,304 112

Oct 371.1 -0.6 366.6 365.5 12,304 112

Nov 370.6 -0.6 366.1 365.0 12,304 112

Dec 370.1 -0.6 365.6 364.5 12,304 112

Jan 369.6 -0.6 365.1 364.0 12,304 112

Feb 369.1 -0.6 364.6 363.5 12,304 112

Mar 368.6 -0.6 364.1 363.0 12,304 112

Apr 368.1 -0.6 363.6 362.5 12,304 112

May 367.6 -0.6 363.1 362.0 12,304 112

Jun 367.1 -0.6 362.6 361.5 12,304 112

Jul 366.6 -0.6 362.1 361.0 12,304 112

Aug 366.1 -0.6 361.6 360.5 12,304 112

Sep 365.6 -0.6 361.1 360.0 12,304 112

Oct 365.1 -0.6 360.6 359.5 12,304 112

Nov 364.6 -0.6 360.1 359.0 12,304 112

Dec 364.1 -0.6 359.6 358.5 12,304 112

Jan 363.6 -0.6 359.1 358.0 12,304 112

Feb 363.1 -0.6 358.6 357.5 12,304 112

Mar 362.6 -0.6 358.1 357.0 12,304 112

Apr 362.1 -0.6 357.6 356.5 12,304 112

May 361.6 -0.6 357.1 356.0 12,304 112

Jun 361.1 -0.6 356.6 355.5 12,304 112

Jul 360.6 -0.6 356.1 355.0 12,304 112

Aug 360.1 -0.6 355.6 354.5 12,304 112

Sep 359.6 -0.6 355.1 354.0 12,304 112

Oct 359.1 -0.6 354.6 353.5 12,304 112

Nov 358.6 -0.6 354.1 353.0 12,304 112

Dec 358.1 -0.6 353.6 352.5 12,304 112

Jan 357.6 -0.6 353.1 352.0 12,304 112

Feb 357.1 -0.6 352.6 351.5 12,304 112

Mar 356.6 -0.6 352.1 351.0 12,304 112

Apr 356.1 -0.6 351.6 350.5 12,304 112

May 355.6 -0.6 351.1 350.0 12,304 112

Jun 355.1 -0.6 350.6 349.5 12,304 112

Jul 354.6 -0.6 350.1 349.

INVESTMENT TRUSTS - Con

تاریخ ۱۳۸۵/۱۰/۱۵

TRANSPORT - Cont.

FIGURE & HOTELS

OFFSHORE AND OVERSEAS

Fidelity Money Funds

[illegible]

	Init Charge	Disc Price	Std Price	Offer Price	+ or -
--	----------------	---------------	--------------	----------------	-----------

PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									
PG&E									

[illegible][illegible]

European Equity	1.00	1.00
American	1.00	1.00
International Bond	1.00	1.00
Commodity	1.00	1.00

Cam Core Portfolio Fund			
UK	1.2600	1.3901	1.4972
USA	1.2600	1.3901	1.4972
Japan	0.7138	0.7917	0.8685

*Yield expressed as C.A.R. (Compound Annual Return)

Leasehold Josephs Fund Managers (UK) Ltd

US Dollar Capital Bond	0.03	111
Technology 2000	1.27	111
Performance	5.46	111
Domestic Cash Bond	0.01	111

ISLE OF MAN (REGULATED)

≡ JERSEY (SIB RECOGNISED)

— 1 —

Management International (Jersey) Ltd	139.60	8.64	+0.01
---------------------------------------	--------	------	-------

1164

Italy			
Japan Bank Co.			
Latin America			
Mexico			

PRICOA Worldwide Int'l Payments	010 352 444010
47 Boulevard Royal, L-2449, Lux	
European Group	10.00
	17.74
	16.01
	16.02

Oil & Gas	3.0153	12.250	1.000
American Growth	2.0508	12.250	0.012
Commonwealth Oil	2.1107	12.250	0.112
Ecological	210.700	12.250	1.000

FT MANAGED FUNDS SERVICE

**TO FIND OUT HOW
THIS SPACE COULD
PERFORM FOR
YOUR BUSINESS**

**for information and a brochure
or fax him on 071 873 3078**

مجلس الامم المتحدة

OFFICE
INSIDE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 673 4378 for more details.

**If you like
money
you'll love
The Banker**

The Banker, published by The Financial Times is the most authoritative international magazine for the senior bankers and finance professionals world-wide.

**Do they know something you
don't?**

For subscription details contact
the marketing department
Tel no: +44(0)171 405 6969
Fax no: +44(0)171 242 2439

THE BANKER

FT
FINANCIAL TIMES
Magazines

MARKETS REPORT

Sterling firmer against both dollar and D-Mark

The D-Mark lost ground on the markets yesterday as the post-election rally in the currency faded, writes Philip Gault.

The generalised weakness confirmed the view that the relative strength of the D-Mark against the dollar, over the past few days, was more a case of dollar weakness than D-Mark strength.

The D-Mark finished in London at FF3.431, from FF3.424. It was also weaker against the lira, which closed at L1.020 from L1.033.

After touching an overnight low of DM1.490, the dollar remained above DM1.50 for most of the day, finishing at DM1.5003, from DM1.5036. It was barely changed against the yen at ¥97.885 from ¥97.85.

Sterling had a good day, rising against both the dollar and the D-Mark. It finished at \$1.6154, from \$1.6074, and at DM2.4555 from DM2.4168.

The phenomenon of sterling simultaneously rising against both the D-Mark and the dollar

exchange at Midland Global Markets, reported "fairly strong institutional demand against both the dollar and the D-Mark."

It seems to be the case that a lot of UK corporates pre-sold sterling on its rise above \$1.50. Now there is an absence of supply and this has encouraged buying.

Mr Tony Norfield, UK treasury economist at Abn-Amro, noted that options volatility in sterling had risen more than in D-Mark since the beginning of the week. "This suggests there is more of a fear of sterling, rather than the D-Mark, rising sharply against the dollar."

Relative short term interest rates provide some support for sterling strength. Three month money in the US is currently around 5.5 per cent, compared to 5.2 per cent in Germany and 6 per cent in the UK. Consumer inflation, however, is around 2 per cent in the US, compared to 3 per cent in the UK and Germany, so sterling compares even more favourably.

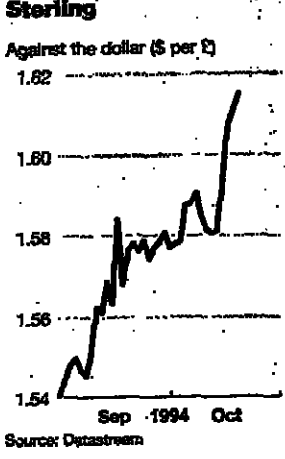
that Fed vice-chairman Mr Alan Blinder had said US interest rates would not need to rise again this year.

The flip-side of this was a more sober attitude towards the D-Mark. After the rush to buy D-Marks on Friday and Monday, there was some evidence yesterday that investors had started to take profits.

Mr Loewy said he did not think the market was expecting central bank intervention at current levels. The speed of a currency's fall is normally as important as the level to which it has fallen in determining central bank activity.

The dollar had fallen nearly ten pence in eleven days to DM1.5170 from DM1.6050 - when, in July, it was the subject of co-ordinated central bank intervention.

The US currency will face a renewed test today with the release of August trade figures. A larger than expected deficit will refocus market attention on the US's trade dispute with Japan. Recent figures from



POUND SPOT FORWARD AGAINST THE POUND

Oct 18	Closing mid-point	Change on day	Oct 18	Closing mid-point	Change on day
Australia	1.0580	-0.0025	France	1.0580	-0.0025
Belgium	1.0580	-0.0025	Germany	1.0580	-0.0025
Denmark	1.0580	-0.0025	Greece	1.0580	-0.0025
Finland	1.0580	-0.0025	Italy	1.0580	-0.0025
France	1.0580	-0.0025	Japan	1.0580	-0.0025
Germany	1.0580	-0.0025	Netherlands	1.0580	-0.0025
Greece	1.0580	-0.0025	Norway	1.0580	-0.0025
Italy	1.0580	-0.0025	Portugal	1.0580	-0.0025
Japan	1.0580	-0.0025	Spain	1.0580	-0.0025
Netherlands	1.0580	-0.0025	Sweden	1.0580	-0.0025
Norway	1.0580	-0.0025	Switzerland	1.0580	-0.0025
Portugal	1.0580	-0.0025	UK	1.0580	-0.0025
Spain	1.0580	-0.0025	USA	1.0580	-0.0025
Sweden	1.0580	-0.0025			
Switzerland	1.0580	-0.0025			
UK	1.0580	-0.0025			
USA	1.0580	-0.0025			

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 18	Closing mid-point	Change on day	Oct 18	Closing mid-point	Change on day
Australia	1.0580	-0.0025	France	1.0580	-0.0025
Belgium	1.0580	-0.0025	Germany	1.0580	-0.0025
Denmark	1.0580	-0.0025	Greece	1.0580	-0.0025
Finland	1.0580	-0.0025	Italy	1.0580	-0.0025
France	1.0580	-0.0025	Japan	1.0580	-0.0025
Germany	1.0580	-0.0025	Netherlands	1.0580	-0.0025
Greece	1.0580	-0.0025	Norway	1.0580	-0.0025
Italy	1.0580	-0.0025	Portugal	1.0580	-0.0025
Japan	1.0580	-0.0025	Spain	1.0580	-0.0025
Netherlands	1.0580	-0.0025	Sweden	1.0580	-0.0025
Norway	1.0580	-0.0025	Switzerland	1.0580	-0.0025
Portugal	1.0580	-0.0025	UK	1.0580	-0.0025
Spain	1.0580	-0.0025	USA	1.0580	-0.0025
Sweden	1.0580	-0.0025			
Switzerland	1.0580	-0.0025			
UK	1.0580	-0.0025			
USA	1.0580	-0.0025			

CROSS RATES AND DERIVATIVES

Oct 18	Oct 18	Oct 18	Oct 18	Oct 18	Oct 18
Belgium	1.0580	-0.0025	France	1.0580	-0.0025
Denmark	1.0580	-0.0025	Germany	1.0580	-0.0025
Finland	1.0580	-0.0025	Greece	1.0580	-0.0025
France	1.0580	-0.0025	Italy	1.0580	-0.0025
Germany	1.0580	-0.0025	Japan	1.0580	-0.0025
Greece	1.0580	-0.0025	Netherlands	1.0580	-0.0025
Italy	1.0580	-0.0025	Norway	1.0580	-0.0025
Japan	1.0580	-0.0025	Portugal	1.0580	-0.0025
Netherlands	1.0580	-0.0025	Spain	1.0580	-0.0025
Norway	1.0580	-0.0025	Sweden	1.0580	-0.0025
Portugal	1.0580	-0.0025	Switzerland	1.0580	-0.0025
Spain	1.0580	-0.0025	UK	1.0580	-0.0025
Sweden	1.0580	-0.0025	USA	1.0580	-0.0025
Switzerland	1.0580	-0.0025			
UK	1.0580	-0.0025			
USA	1.0580	-0.0025			

EXCHANGE CROSS RATES

Oct 18	Oct 18	Oct 18	Oct 18	Oct 18	Oct 18
Belgium	1.0580	-0.0025	France	1.0580	-0.0025
Denmark	1.0580	-0.0025	Germany	1.0580	-0.0025
Finland	1.0580	-0.0025	Greece	1.0580	-0.0025
France	1.0580	-0.0025	Italy	1.0580	-0.0025
Germany	1.0580	-0.0025	Japan	1.0580	-0.0025
Greece	1.0580	-0.0025	Netherlands	1.0580	-0.0025
Italy	1.0580	-0.0025	Norway	1.0580	-0.0025
Japan	1.0580	-0.0025	Portugal	1.0580	-0.0025
Netherlands	1.0580	-0.0025	Spain	1.0580	-0.0025
Norway	1.0580	-0.0025	Sweden	1.0580	-0.0025
Portugal	1.0580	-0.0025	Switzerland	1.0580	-0.0025
Spain	1.0580	-0.0025	UK	1.0580	-0.0025
Sweden	1.0580	-0.0025	USA	1.0580	-0.0025
Switzerland	1.0580	-0.0025			
UK	1.0580	-0.0025			
USA	1.0580	-0.0025			

LONDON MONEY RATES

Oct 18	Oct 18	Oct 18	Oct 18	Oct 18	Oct 18
Belgium	1.0580	-0.0025	France	1.0580	-0.0025
Denmark	1.0580	-0.0025	Germany	1.0580	-0.0025
Finland	1.0580	-0.0025	Greece	1.0580	-0.0025
France	1.0580	-0.0025	Italy	1.0580	-0.0025
Germany	1.0580	-0.0025	Japan	1.0580	-0.0025
Greece	1.0580	-0.0025	Netherlands	1.0580	-0.0025
Italy	1.0580	-0.0025	Norway	1.0580	-0.0025
Japan	1.0580	-0.0025	Portugal	1.0580	-0.0025
Netherlands	1.0580	-0.0025	Spain	1.0580	-0.0025
Norway	1.0580	-0.0025	Sweden	1.0580	-0.0025
Portugal	1.0580	-0.0025	Switzerland	1.0580	-0.0025
Spain	1.0580	-0.0025	UK	1.0580	-0.0025
Sweden	1.0580	-0.0025	USA	1.0580	-0.0025
Switzerland	1.0580	-0.0025			
UK	1.0580	-0.0025			
USA	1.0580	-0.0025			

STERLING FUTURES (LME) £125,000 per £

Oct 18	Oct 18	Oct 18	Oct 18	Oct 18	Oct 18
Belgium	1.0580	-0.0025	France	1.0580	-0.0025
Denmark	1.0580	-0.0025	Germany	1.0580	-0.0025
Finland	1.0580	-0.0025	Greece	1.0580	-0.0025
France	1.0580	-0.0025	Italy	1.0580	-0.0025
Germany	1.0580	-0.0025	Japan	1.0580	-0.0025
Greece	1.0580	-0.0025	Netherlands	1.0580	-0.0025
Italy	1.0580	-0.0025	Norway	1.0580	-0.0025
Japan	1.0580	-0.0025	Portugal	1.0580	-0.0025
Netherlands	1.0580	-0.0025	Spain	1.0580	-0.0025
Norway	1.0580	-0.0025	Sweden	1.0580	-0.0025
Portugal	1.0580	-0.0025	Switzerland	1.0580	-0.0025
Spain	1.0580	-0.0025	UK	1.0580	-0.0025
Sweden	1.0580	-0.0025	USA	1.0580	-0.0025
Switzerland	1.0580	-0.0025			
UK	1.0580	-0.0025			
USA	1.0580	-0.0025			

THREE MONTH STERLING FUTURES (LME) £125,000 per £

Oct 18	Oct 18	Oct 18	Oct 18	Oct 18	Oct 18
Belgium	1.0580	-0.0025	France	1.0580	-0.0025
Denmark	1.0580	-0.0025	Germany	1.0580	-0.0025
Finland	1.0580	-0.0025	Greece	1.0580	-0.0025
France	1.0580	-0.0025	Italy	1.0580	-0.0025
Germany	1.0580	-0.0025	Japan	1.0580	-0.0025
Greece	1.0580	-0.0025	Netherlands	1.0580	-0.0025
Italy	1.0580	-0.0025	Norway	1.0580	-0.0025
Japan	1.0580	-0.0025	Portugal	1.0580	-0.0025
Netherlands	1.0580	-0.0025	Spain	1.0580	-0.0025
Norway	1.0580	-0.0025	Sweden	1.0580	-0.0025
Portugal	1.0580	-0.0025	Switzerland	1.0580	-0.0025
Spain	1.0580	-0.0025	UK	1.0580	-0.0025
Sweden	1.0580	-0.0025	USA	1.0580	-0.0025
Switzerland	1.0580	-0.0025			
UK	1.0580	-0.0025			
USA	1.0580	-0.0025			

THREE MONTH EURO DOLLAR (LME) \$1m points of 100%

Oct 18	Oct 18	Oct 18	Oct 18	Oct 18	Oct 18
Belgium	1.0580	-0.0025	France	1.0580	-0.0025
Denmark	1.0580	-0.0025	Germany	1.0580	-0.0025
Finland	1.0580	-0.0025	Greece	1.0580	-0.0025
France	1.0580	-0.0025	Italy	1.0580	-0.0025
Germany	1.0580	-0.0025	Japan	1.0580	-0.0025
Greece	1.0580	-0.0025	Netherlands	1.0580	-0.0025
Italy	1.0580	-0.0025	Norway	1.0580	-0.0025
Japan	1.0580	-0.0025	Portugal	1.0580	-0.0025
Netherlands	1.0580	-0.0025	Spain	1.0580	-0.0025
Norway	1.0580	-0.0025	Sweden	1.0580	-0.0025
Portugal	1.0580	-0.0025	Switzerland	1.0580	-0.0025
Spain	1.0580	-0.0025	UK	1.0580	-0.0025
Sweden	1.0580	-0.0025	USA	1.0580	-0.0025
Switzerland	1.0580	-0.0025			
UK	1.0580	-0.0025			
USA	1.0580	-0.0025			

BASE LENDING RATES

Oct 18	Oct 18	Oct 18	Oct 18	Oct 18	Oct 18
Belgium	1.0580	-0.0025	France	1.0580	-0.0025
Denmark	1.0580	-0.0025	Germany	1.0580	-0.0025
Finland	1.0580	-0.0025	Greece	1.0580	-0.0025
France	1.0580	-0.0025	Italy	1.0580	-0.0025
Germany	1.0580	-0.0025	Japan	1.0580	-0.0025
Greece	1.0580	-0.0025	Netherlands	1.0580	-0.0025
Italy	1.0580	-0.0025	Norway	1.0580	-0.0025
Japan	1.0580	-0.0025	Portugal	1.0580	-0.0025
Netherlands	1.0580	-0.0025	Spain	1.0580	-0.0025
Norway	1.0580	-0.0025	Sweden	1.0580	-0.0025
Portugal	1.0580	-0.0025	Switzerland	1.0580	-0.0025
Spain	1.0580	-0.0025	UK	1.0580	-0.0025
Sweden	1.0580	-0.0025	USA	1.0580	-0.0025
Switzerland	1.0580	-0.0025			
UK	1.0580	-0.0025			
USA	1.0580	-0.0025			

THREE MONTH EURO DOLLAR (LME) \$1m points of 100%

Oct 18	Oct 18	Oct 18	Oct 18	Oct 18	Oct 18
Belgium	1.0580	-0.0025	France	1.0580	-0.0025
Denmark	1.0580	-0.0025	Germany	1.0580	-0.0025
Finland	1.0580	-0.0025	Greece	1.0580	-0.0025
France	1.0580	-0.0025	Italy	1.0580	-0.0025
Germany	1.0580	-0.0025	Japan	1.0580	-0.0025
Greece	1.0580	-0.0025	Netherlands	1.0580	-0.0025
Italy	1.0580	-0.0025	Norway	1.0580	-0.0025
Japan	1.0580	-0.0025	Portugal	1.0580	-0.0025
Netherlands	1.0580	-0.0025	Spain	1.0580	-0.0025
Norway	1.0580	-0.0025	Sweden	1.0580	-0.0025
Portugal	1.0580	-0.0025	Switzerland	1.0580	-0.0025
Spain	1.0580	-0.0025	UK	1.0580	-0.0025
Sweden	1.0580	-0.0025	USA	1.0580	-0.0025
Switzerland	1.0580	-0.0025			
UK	1.0580	-0.0025			
USA	1.0580	-0.0025			

EQUITY AND INDEX OPTIONS
COMPETITIVELY PRICED EXECUTION SERVICE
For further information please contact
Philip O'Neill
Tel: 071 329 3333 Fax: 071 329 3919

INVESTORS - TRADERS - CORPORATE TREASURERS
SATQUOTE™ - Your single service for real time quotes.
Futures * Options * Stocks * Forex * News * Via Satellite
LONDON 071 329 3377 NEW YORK 212 266 8866 FRANKFURT 49 69 44671

CLIENT TRADING ROOM
PRIVATE CLIENTS WELCOME
BERKELEY FUTURES LIMITED
38 DOVER STREET, LONDON W1X 3EB
Tel: 071 639 1133 Fax: 071 495 0022

CALLING ALL CURRENCIES - 0839 35-35-15
For details of our full range of financial information services, call 071-856 9400.
Calls are charged at 5p/min. 24 hours a day, 7 days a week.
Futures Page 1, 1921 Great Tower St, London EC3R 5AQ.

TAX-FREE SPECULATION IN FUTURES
To obtain your free Guide to how your Financial Futures can help you, call Michael Murray or the London office on 071-495 7233 or write to us at IC Futures, 941 Grosvenor Gardens, London W1A 3AB.

FullerMoney - the Global Strategy Newsletter
Covering bonds, stocks, currencies & commodities, including where to invest. Published monthly by David Fuller, a leading expert in the field. 16 pages, monthly. Single issue £12.50, annual £125 in UK & Europe. Call John Farquharson at Chert Analysis Ltd, 7 Swallow Street, London W1R 7HD, UK. Tel: London 171-439 2261 (0171) in UK or Fax: 17

WORLD STOCK MARKETS

EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	MIDDLE EAST	Stocks	Closing Prices	Change on day	
AMERICA	Stocks	Closing Prices	Change on day	EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	
Stocks	Closing Prices	Change on day	Stocks	Closing Prices	Change on day	Stocks	Closing Prices	Change on day	Stocks	Closing Prices	Change on day	Stocks	Closing Prices	Change on day	Stocks	Closing Prices	Change on day	Stocks	Closing Prices	Change on day
EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	MIDDLE EAST	Stocks	Closing Prices	Change on day	
AMERICA	Stocks	Closing Prices	Change on day	EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	
EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	MIDDLE EAST	Stocks	Closing Prices	Change on day	
AMERICA	Stocks	Closing Prices	Change on day	EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	
EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	MIDDLE EAST	Stocks	Closing Prices	Change on day	
AMERICA	Stocks	Closing Prices	Change on day	EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	
EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	MIDDLE EAST	Stocks	Closing Prices	Change on day	
AMERICA	Stocks	Closing Prices	Change on day	EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	
EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	MIDDLE EAST	Stocks	Closing Prices	Change on day	
AMERICA	Stocks	Closing Prices	Change on day	EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	
EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	MIDDLE EAST	Stocks	Closing Prices	Change on day	
AMERICA	Stocks	Closing Prices	Change on day	EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	
EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	MIDDLE EAST	Stocks	Closing Prices	Change on day	
AMERICA	Stocks	Closing Prices	Change on day	EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	
EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	MIDDLE EAST	Stocks	Closing Prices	Change on day	
AMERICA	Stocks	Closing Prices	Change on day	EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	
EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	MIDDLE EAST	Stocks	Closing Prices	Change on day	
AMERICA	Stocks	Closing Prices	Change on day	EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	
EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	MIDDLE EAST	Stocks	Closing Prices	Change on day	
AMERICA	Stocks	Closing Prices	Change on day	EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	
EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	MIDDLE EAST	Stocks	Closing Prices	Change on day	
AMERICA	Stocks	Closing Prices	Change on day	EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	
EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	MIDDLE EAST	Stocks	Closing Prices	Change on day	
AMERICA	Stocks	Closing Prices	Change on day	EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	
EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	MIDDLE EAST	Stocks	Closing Prices	Change on day	
AMERICA	Stocks	Closing Prices	Change on day	EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	
EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	MIDDLE EAST	Stocks	Closing Prices	Change on day	
AMERICA	Stocks	Closing Prices	Change on day	EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	
EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	MIDDLE EAST	Stocks	Closing Prices	Change on day	
AMERICA	Stocks	Closing Prices	Change on day	EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	
EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	MIDDLE EAST	Stocks	Closing Prices	Change on day	
AMERICA	Stocks	Closing Prices	Change on day	EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day	OCEANIA	Stocks	Closing Prices	Change on day	AFRICA	Stocks	Closing Prices	Change on day	
EUROPE	Stocks	Closing Prices	Change on day	ASIA	Stocks	Closing Prices	Change on day													

US INDICES										US INDICES									
	Oct 18	Oct 17	Oct 16	1994		Oct 18	Oct 17	Oct 16	1994		Oct 17	Oct 16	Oct 13	1994		Oct 17	Oct 16	Oct 13	1994
	High	Low				High	Low				High	Low				High	Low		
Dow Jones	3293.93	3310.47	3389.55	1994	Dow Jones	3293.93	3310.47	3389.55	1994	Health Care	3293.93	3310.47	3389.55	1994	Health Care	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Industrial	3293.93	3310.47	3389.55	1994	Industrial	3293.93	3310.47	3389.55	1994	Technology	3293.93	3310.47	3389.55	1994	Technology	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Health Care	3293.93	3310.47	3389.55	1994	Health Care	3293.93	3310.47	3389.55	1994	Financial	3293.93	3310.47	3389.55	1994	Financial	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Technology	3293.93	3310.47	3389.55	1994	Technology	3293.93	3310.47	3389.55	1994	Energy	3293.93	3310.47	3389.55	1994	Energy	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Financial	3293.93	3310.47	3389.55	1994	Financial	3293.93	3310.47	3389.55	1994	Consumer Goods	3293.93	3310.47	3389.55	1994	Consumer Goods	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Energy	3293.93	3310.47	3389.55	1994	Energy	3293.93	3310.47	3389.55	1994	Telecommunications	3293.93	3310.47	3389.55	1994	Telecommunications	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Consumer Goods	3293.93	3310.47	3389.55	1994	Consumer Goods	3293.93	3310.47	3389.55	1994	Real Estate	3293.93	3310.47	3389.55	1994	Real Estate	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Telecommunications	3293.93	3310.47	3389.55	1994	Telecommunications	3293.93	3310.47	3389.55	1994	Utilities	3293.93	3310.47	3389.55	1994	Utilities	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Real Estate	3293.93	3310.47	3389.55	1994	Real Estate	3293.93	3310.47	3389.55	1994	Commodities	3293.93	3310.47	3389.55	1994	Commodities	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Utilities	3293.93	3310.47	3389.55	1994	Utilities	3293.93	3310.47	3389.55	1994	Options	3293.93	3310.47	3389.55	1994	Options	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Commodities	3293.93	3310.47	3389.55	1994	Commodities	3293.93	3310.47	3389.55	1994	Indices	3293.93	3310.47	3389.55	1994	Indices	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Options	3293.93	3310.47	3389.55	1994	Options	3293.93	3310.47	3389.55	1994	Volatility	3293.93	3310.47	3389.55	1994	Volatility	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Indices	3293.93	3310.47	3389.55	1994	Indices	3293.93	3310.47	3389.55	1994	Correlation	3293.93	3310.47	3389.55	1994	Correlation	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Volatility	3293.93	3310.47	3389.55	1994	Volatility	3293.93	3310.47	3389.55	1994	Skewness	3293.93	3310.47	3389.55	1994	Skewness	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Correlation	3293.93	3310.47	3389.55	1994	Correlation	3293.93	3310.47	3389.55	1994	Kurtosis	3293.93	3310.47	3389.55	1994	Kurtosis	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Skewness	3293.93	3310.47	3389.55	1994	Skewness	3293.93	3310.47	3389.55	1994	Sharpe Ratio	3293.93	3310.47	3389.55	1994	Sharpe Ratio	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Kurtosis	3293.93	3310.47	3389.55	1994	Kurtosis	3293.93	3310.47	3389.55	1994	Sortino Ratio	3293.93	3310.47	3389.55	1994	Sortino Ratio	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Sharpe Ratio	3293.93	3310.47	3389.55	1994	Sharpe Ratio	3293.93	3310.47	3389.55	1994	Information Ratio	3293.93	3310.47	3389.55	1994	Information Ratio	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Sortino Ratio	3293.93	3310.47	3389.55	1994	Sortino Ratio	3293.93	3310.47	3389.55	1994	Tracking Error	3293.93	3310.47	3389.55	1994	Tracking Error	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Information Ratio	3293.93	3310.47	3389.55	1994	Information Ratio	3293.93	3310.47	3389.55	1994	Alpha	3293.93	3310.47	3389.55	1994	Alpha	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Tracking Error	3293.93	3310.47	3389.55	1994	Tracking Error	3293.93	3310.47	3389.55	1994	Beta	3293.93	3310.47	3389.55	1994	Beta	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Alpha	3293.93	3310.47	3389.55	1994	Alpha	3293.93	3310.47	3389.55	1994	R-squared	3293.93	3310.47	3389.55	1994	R-squared	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Beta	3293.93	3310.47	3389.55	1994	Beta	3293.93	3310.47	3389.55	1994	Adjusted R-squared	3293.93	3310.47	3389.55	1994	Adjusted R-squared	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
R-squared	3293.93	3310.47	3389.55	1994	R-squared	3293.93	3310.47	3389.55	1994	Standard Error	3293.93	3310.47	3389.55	1994	Standard Error	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Adjusted R-squared	3293.93	3310.47	3389.55	1994	Adjusted R-squared	3293.93	3310.47	3389.55	1994	F-statistic	3293.93	3310.47	3389.55	1994	F-statistic	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Standard Error	3293.93	3310.47	3389.55	1994	Standard Error	3293.93	3310.47	3389.55	1994	t-statistic	3293.93	3310.47	3389.55	1994	t-statistic	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
F-statistic	3293.93	3310.47	3389.55	1994	F-statistic	3293.93	3310.47	3389.55	1994	p-value	3293.93	3310.47	3389.55	1994	p-value	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
t-statistic	3293.93	3310.47	3389.55	1994	t-statistic	3293.93	3310.47	3389.55	1994	Significance Level	3293.93	3310.47	3389.55	1994	Significance Level	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
p-value	3293.93	3310.47	3389.55	1994	p-value	3293.93	3310.47	3389.55	1994	Confidence Interval	3293.93	3310.47	3389.55	1994	Confidence Interval	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Significance Level	3293.93	3310.47	3389.55	1994	Significance Level	3293.93	3310.47	3389.55	1994	Standard Deviation	3293.93	3310.47	3389.55	1994	Standard Deviation	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Confidence Interval	3293.93	3310.47	3389.55	1994	Confidence Interval	3293.93	3310.47	3389.55	1994	Coefficient of Variation	3293.93	3310.47	3389.55	1994	Coefficient of Variation	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Standard Deviation	3293.93	3310.47	3389.55	1994	Standard Deviation	3293.93	3310.47	3389.55	1994	Mean	3293.93	3310.47	3389.55	1994	Mean	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Coefficient of Variation	3293.93	3310.47	3389.55	1994	Coefficient of Variation	3293.93	3310.47	3389.55	1994	Median	3293.93	3310.47	3389.55	1994	Median	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Mean	3293.93	3310.47	3389.55	1994	Mean	3293.93	3310.47	3389.55	1994	Mode	3293.93	3310.47	3389.55	1994	Mode	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Median	3293.93	3310.47	3389.55	1994	Median	3293.93	3310.47	3389.55	1994	Range	3293.93	3310.47	3389.55	1994	Range	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Mode	3293.93	3310.47	3389.55	1994	Mode	3293.93	3310.47	3389.55	1994	Interquartile Range	3293.93	3310.47	3389.55	1994	Interquartile Range	3293.93	3310.47	3389.55	1994
	High	Low				High	Low				High	Low				High	Low		
Range	3293.93	3310.47	3389.55	1994	Range	3293.93	3310.47	3389.55											

**Every day,
we help
thousands
people like
Zoe fight
cancer.**

***Any time any place
any share...***

Instant access to up-to-the-minute share prices from anywhere in the world

Whether you're doing business in Berlin or hatching deals in Hong Kong, FT Cityline International can link you with all the UK stock market information you need:

- real time share prices
- daily unit trust prices
- updated financial reports
- personal portfolio facility

TT Cityline has proved invaluable to business people and investors in the UK for years. And now it is available from anywhere in the world.

If you would like further details fill in the coupon below or call the FT Cityline Help Desk on (071) 873 4378.

**T Business Enterprises Limited, Number One Southwark Bridge
London SE1 9HL. Registered in England Number 980896.**



FINANCIAL TIMES
CITYLINE
INTERNATIONAL

Complete details below and send to: FT Cityline International
Number One Southwark Bridge, London SE1 9HL.

Name:
Address:
Postcode: Tel:

The Future's History.

The largest provider of dedicated financial paging worldwide, Hutchison Telecom, brings paging worldwide. Hutchison Telecom, brings paging worldwide. With more features and in-depth information than anyone else, it really is the

ultimate financial pager on the market. Try pulse for FREE now and you'll soon see why.

Call 0800 28 28 26 Ext. 134 today.

Easy
swop out
from your
existing pager
provider.

For a FREE Trial call
0800 28 28 26

**Hutchison
Telecom**

The world's most powerful
mobile phone network

Postcode: Tel:

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

<div>BE OUR GUEST.</div>					
<div>When you stay with us in ISTANBUL say in touch with your complimentary copy of the</div>					
<div>FINANCIAL TIMES</div>					
<div>(LONDON'S BUSINESS NEWSPAPER)</div>					

continued on next page

Have you

Financial Times

AMERICA

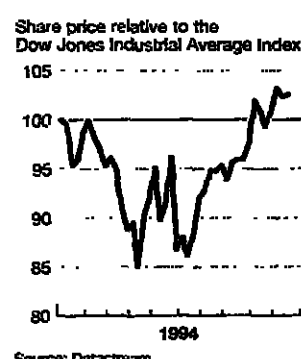
Rise in oil prices drives Dow lower

Wall Street

Declines in government bond prices and fresh concern about higher interest rates set the tone for a downbeat day on US stock markets, where share prices posted falls across the board in a subdued morning session, writes Patrick Harverston in New York.

By 1 pm, the Dow Jones Industrial Average was down 18.15 at 3,907.78. The more broadly based Standard & Poor's 500 was also lower at 467.14, while the American Stock Exchange composite was off 1.53 at 457.33 and the Nasdaq composite down 1.09 at 761.59. Trading volume on the

Philip Morris



New York SE amounted to 182m shares by 1 pm.

After putting together a string of impressive gains over the past six trading days, analysts were expecting to see a pull-back in blue-chip stocks some time this week. It came yesterday morning as falling bond prices gave investors an excuse to sell, or keep out of the market altogether.

Bonds fell because of a rise in oil prices, which always rattles inflation-sensitive fixed-income investors, and because of a statement from Ms Susan Phillips, a Federal Reserve governor, that the US economy was "surprisingly" strong. The comment suggested that the economy is still growing at a rate faster than the Fed expected, and led the bond market to conclude that another interest rate increase to slow economic growth would be announced by

the Fed soon. The concerns were shared by stock market investors, who are equally troubled by the thought of another monetary policy tightening. There have been five rate increases already this year, and the markets fear that further rises could undermine not just economic growth, but also corporate earnings growth in the coming quarters.

For now, however, companies continue to post impressive quarterly earnings. Yesterday, among stocks benefiting from better-than-expected profits were Merrill Lynch, up 3% at \$35.50, Sun Microsystems, up 1% at \$32.00, and Apple Computer, up 1% at \$41.00.

Philip Morris's earnings also exceeded analysts' expectations, although not by much, and the 27 per cent rise in net income to \$1.2bn failed to excite investors, who bid the company's stock down 3% to \$87.50. Another stock that fell in spite of a strong third quarter was Sprint, which dropped 3% to \$37.40 even though the long-distance telephone group's earnings of 66 cents a share beat the consensus forecast of 63 cents a share.

Polaroid fell 1% to \$33.40 after announcing third quarter earnings of 62 cents a share, up from 53 cents a share a year ago, but well below most Wall Street forecasts. Drug stocks weakened following modestly disappointing results from Merck, which left its shares 3% lower at \$35. Bristol-Myers Squibb was off 4% at \$58.00, Warner-Lambert down 3% at \$74.00 and Pfizer 3% lower at \$71.00.

Canada

Toronto was pulled lower at midday by profit-taking, with heavy losses in most sectors outweighing gains in gold and precious metals and financial services.

The TSE 300 index fell 14.97 to 4,312.03 at noon in low volume of 16.9m shares. Of Toronto's 14 sub-indices, 13 sectors fell in midday trade. Weak groups were led by communications and media, followed by forest products.

Brazil improves 1%

Shares in São Paulo were 1 per cent higher in midday trade as investors began to bargain hunt following recent sharp losses.

The Bovespa index was up 462 at 48,306 by 1 pm in turnover of R\$173.9m (\$205.3m). In spite of the upturn, analysts said foreign investors were still mainly absent.

In the currency market the central bank bought dollars in

an effort to bolster the real/US dollar exchange rate after the local currency continued to rise.

Brokers said the bank had intervened eight times over the last three sessions.

Telebras preferred advanced 1 per cent to R\$42.40. Eletrobras preferred declined 0.6 per cent to R\$31.00 and the oil group Petrobras was 2.8 per cent higher at R\$135.50.

Strength in South Africa

Johannesburg strengthened again yesterday as demand was reawakened.

Dealers said the gold price, recent blue chip strength on Wall Street, the expectation of continued strong local company earnings, and a limited supply of quality stock were all factors behind the rise, which were expected to be extended in the short term.

But traders added that firmness in the financial rand had depressed some major shares.

The overall index climbed 27 to 5,682. Industrials 65 to 6,468 and golds 22 to 2,322.

Sagpi set another high for the year as it gained R1 at R66 on continued positive reaction to its acquisition of a 70 per cent stake in SD Warren, and ahead of interim results.

De Beers finished R1.85 down at R98.75 on foreign selling. Anglo reversed an initial rise to close a net 50 cents off at R238. Gencor collected 10 cents at R14.35.

EUROPE

Extended dollar weakness hits bonds, equities

After Monday's weakness, when Mr Helmut Kohl's German election victory and the strength of the D-Mark helped to push the dollar to a two-year low, the US currency was looking shaky again yesterday, writes Our Markets Staff.

European bond markets lost ground, some more than others, the effect on equities was similarly varied, but generally depressing.

FRANKFURT weakened slightly in official floor trading, the Dax index easing 6.12 to 2,084.76, and took a more serious tumble in the post-bourse where the Ibis-indexed Dax closed 28.00 lower at 2,069.58. Turnover fell from DM8.5bn to DM6.3bn.

Once again, the weakness of the dollar made its most serious impact on the big cyclical exporters, and carmakers in particular, as Volkswagen denied rumors that it had sold its money in foreign exchange markets. By the end of the post-bourse, BMW was down DM19 over 24 hours. Daimler by DM16.20 and VW by DM16.70 to DM76.45 and DM74.50 respectively.

However, carmakers also took the lead in Germany's pre-election rally, before that, on October 17, these three were priced at DM745, DM730 and

DM438; there were suggestions during the session that investors were switching out of the sector, and into banks and utilities.

The post-bourse blow more froth off some other stocks: Continental, the tyre maker, lost DM6.50 at DM225; the vulnerable Metallgesellschaft DM8.50 at DM189.10; Schering, and its drug prospects, fell DM34 to DM364. Mannesmann, and its mobile telephones story, by DM18.50 to DM289; and, circling back to dollar-influenced, cyclical recovery prospects, Deutsche Babcock by DM7 to DM230.

PARIS drifted lower in a session that failed to come alive. The CAC-40 index ended off 7.82 at 1,888.60, after moving in a narrow range between 1,912 and 1,892.

The forthcoming Renault parprivatisation remained at the forefront of investors' minds, although the vehicle sector was yesterday pulled in different directions: Peugeot down FF13 at FF7769 and Valeo up FF73 at FF233.10.

Hoare Govett said recently that it had a preference for the carmakers over the equipment makers, and rated Valeo a sell, in spite of having upgraded it, in 1994 and 1995 earnings forecasts for the company. "An

FT-SE Actuaries Share Indices

Oct 18	Oct 17	Oct 16	Oct 15	Oct 14	Oct 13	Oct 12	Oct 11
Hourly changes	Open	11:00	11:30	12:00	12:30	14:00	15:00
FT-SE 100	1326.21	1324.43	1326.10	1325.21	1326.62	1327.16	1327.16
FT-SE 250	1391.59	1391.72	1391.16	1392.42	1393.51	1394.16	1393.82

Oct 17	Oct 16	Oct 15	Oct 14	Oct 13	Oct 12	Oct 11
FT-SE 100	1343.00	1340.17	1341.18	1341.29	1342.10	1342.40
FT-SE 250	1402.87	1401.85	1402.29	1402.29	1402.29	1402.29

acquisition [by Valeo] remains a distinct probability, possibly in the automotive electronics sector, where Valeo has no real experience: a development which would weigh on short-term profitability," said the broker.

MILAN was lower, with investors unnerved by news that the government was prepared to reopen budget negotiations over pensions cuts with the unions, and the Comit index lost 10.72 or 1.7 per cent to 636.66.

Robert Fleming Securities commented that the Italian market had underperformed Europe by approximately 4 per cent, or 8.9 per cent in dollar terms, during the last quarter, eroding outperformance since the beginning of the year to 14.5 per cent, or 10.2 per cent in dollar terms. "Continued sales from foreign institutions have compounded the effect of the

sales by domestic private investors, scared off by persistently high rates and the inherent instability of the government." Industrials led the market lower, with Fiat L110 or 1.7 per cent down at L6,200 and Montedison losing L30 or 1.6 per cent at L1,301.

Pirelli fell L33 or 1.5 per cent to L2,216 after exceptionally heavy trading was reported on Monday, with 572a shares, or almost 4 per cent of the company's capital, changing hands. The London volume puzzled one analyst who noted that only 6.5m shares changed hands in Milan on Monday. He added that there was no fundamental reason for the stock's weakness.

A LSI of 8.6 per cent rise to L771 in Caltex was prompted by comments by the Ferruzzi Finanziaria chairman Mr Guido Rossi that Ferruzzi was consid-

ering a full bid. Ferruzzi fell L44 to L1,322.

ZURICH saw industrials marked lower because of the weak dollar before the main sale spread over to the banks and insurers. The SMI index gave up 33.1 or 1.3 per cent to 2,542.5.

Roche certificates fell SFr155 or 2.6 per cent to SFr5,680 as Credit Suisse downgraded the stock and trimmed its earnings forecasts, following Monday's nine-month sales figures. Goldman Sachs, which had already taken the certificates off its buy list, also reduced its 1994 earnings forecast to reflect the pharmaceuticals group's restructuring costs.

UBS slipped SFr16 to SFr1,275 ahead of today's press conference at which, the board has said, it wants to answer various issues surrounding its battle for influence with BK Vision.

AMSTERDAM was weaker, with the AEX index setting down 2.94 at 405.50.

Nedlloyd, the transport group, was among the day's steepest losers, off F12.90 at F155.00, as Goldman Sachs in London lowered its 1994 profits estimate by 30 per cent to F190m.

Pierre Stenon, an analyst at Goldman, commented

that while the group had achieved savings in cutting its internal costs, its main external sectors - ocean shipping, European road transport and the Neddrill drilling subsidiary - were under pressure.

However, Goldman was maintaining its hold recommendation ahead of the company's third-quarter results due on November 30.

MADRID's domestic bond market reacted forcibly after a September budget deficit, and a December inflation forecast of 4.3 to 4.6 per cent; equities took in these, and the arrest in Barcelona of the financier Mr Javier de la Rosa, and the general index dropped 4.63 or 1.5 per cent to 356.69.

Mr Jerry Evans, European equity strategist at Klenwort Benson, noted that in addition to the macro influences, this was a market where banks and utilities, both vulnerable to falls in bond values, accounted for nearly three-quarters of the market's equity capitalisation. Banks, utilities and construction stocks were all weak yesterday, with BCH down Pt47 at Pt43,035, and Endesa off Pt140 at Pt157.00.

Written and edited by William Cochrane, John Pitt and Michael Morgan

ASIA PACIFIC

Nikkei ahead as Seoul continues record-setting rally

Tokyo

Small-lot buying by dealers and overseas investors supported share prices and the Nikkei 225 average ended higher for the first time in three days, writes Emilio Terazono in Tokyo.

The index was finally ahead 34.11 at 19,992.40 after a day's peak of 20,020.60 and low of 19,946.99. Prices moved within a narrow range with most investors still cautious over the yen's fluctuations.

Volume came to 255m shares, against 200m. Activity remained low due to the rise of the yen. The Topix index of all first section stocks was just 0.19 firmer at 1,588.65 and the Nikkei 300 inched up 0.20 to 290.09. Declines led advances by 496 to 449, with 206 issues unchanged. In London the ISE/Nikkei 50 index put on 1.71 at 1,301.00.

Traders said some individuals moved to trade in the second section and in the over-the-counter market. Second section and OTC companies were expected to enjoy larger increases in earnings than large first section corporations. According to the Nihon Keizai Shimbun newspaper, pre-tax profits for OTC companies are expected to rise 32 per cent in the current business year.

Overseas investors traded in shipping companies. Some analysts were bullish about an historically low level of world surplus shipping capacity - 2.2 per cent of supply for last year. "We expect this to translate into significantly higher charter rates for most ship types," said Ms Kathy Matsui, a strategist at Goldman Sachs. Kawanishi Kisen, the most active issue of the day, finished Y7 down at Y409 after hitting the year's high of Y422.

Although higher gold prices helped mining and non-ferrous metal issues, profit-taking finally eroded the day's gains. Sumitomo Metal Mining was off Y15 at Y990 after touching a year's high of Y1,010.

The yen's strength prompted small-lot selling of high-technology stocks by foreign investors. Toshiba dipped Y10 to Y753, Matsushita Electric

Industrial Y10 to Y1,680 and Sony Y70 to Y5,890.

Reports of lower than expected profits depressed Honda Motor by Y40 to Y1,730. Isuzu Motors rose Y16 to Y528 on hopes of strong earnings, while other car makers were also firm, with Nissan Motor up Y7 to Y825 and Toyota Motor gaining Y10 at Y2,070.

In Osaka, the OSE average rose 16.47 to 22,326.21 in volume of 26.7m shares.

Roundup

Sentiment in the region stayed mixed. Sri Lanka was closed for a holiday.

SEoul finished at another record high, but profit-taking eroded a sharp early rally that was prompted by the settlement of the US-North Korean talks. The composite index gained only 3.42 at 1,113.29 after posting an intraday all-time peak of 1,127.09.

Construction and trading shares were among the day's beneficiaries on hopes that they would be major gainers when relations with North Korea improve. The sub-index for the construction industry advanced 13.12 or 2.3 per cent to 586.71.

HONG KONG ended a sluggish session lower as investor confidence continued to be eroded by the weakness of the dollar, nagging talk about the health of Deng Xiaoping, China's leader, and tomorrow's local land auction.

The Hang Seng index slipped 37.37 to 9,418.57 in preliminary turnover of a low HK\$2.38bn.

The China incorporated H-shares index fell 27.62 or 2.1 per cent to 1,216.94, having lost almost 45 points on Monday.

SINGAPORE eased, with retail sentiment dampened by talk of forced selling in Malaysian stocks traded over the counter. The Straits Times Industrial index closed 3.59 down at 2,383.98.

Sentiment over Malaysian stocks was also weakened by Malaysia's finance minister Mr Anwar Ibrahim, who told Malaysians not to expect too much from the October 28 budget statement.

KUALA LUMPUR again reversed an early firm trend to

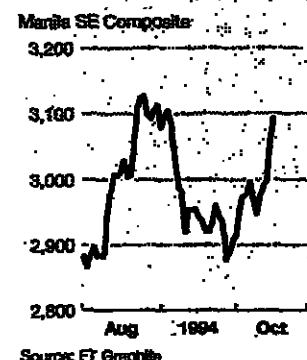
close lower, pressured by forced selling in the afternoon. The composite index lost 7.39 at 1,118.74, having touched an early high of 1,128.47, but trading was slow, volume of 245m shares falling below Monday's 307m.

MANILA took its rally into a fifth day after San Miguel Corp reported a 40 per cent jump in its nine-month net. The composite index ended 42.81 up at the day's best of 3,092.96.

Index heavyweights attracted foreign and local investors on the hope that they will follow San Miguel's example. Volume expanded from 2.45bn shares to 3.49bn, but turnover was only slightly higher at 2,07bn pesos, against 2,01bn pesos.

SYDNEY faltered following the uneven session on Wall

Philippines



Street, the All Ordinaries index closing 10.7 lower at 2,003.4 in turnover of A\$397.4m.

Resource issues fell by more than industrials. News Corp

finished a token 2 cents higher at A\$3.40 as its chairman and chief executive Mr Rupert Murdoch talked of 50 per cent profit growth over the next two to three years at its annual meeting in Adelaide.

WELLINGTON lost its way and the NZSE 40 capital index closed at 2,052.41, down 13.98, in turnover of NZ\$33.5m. Trading in Telecom accounted for one-third of overall activity, the shares receding a cent to NZ\$5.29 in NZ\$11.3m deal.

TAIPEI buying centred mainly on foods, marines and steels, as the weighted index rose 24.30 to 4,755.53 in turnover of T\$72.67bn.

In foods, President Enterprises and Weichuan Foods hit their daily 7 per cent limits at T\$59.50 and T\$36.40 respectively. Marines reflected

improved prospects in coming months, with Yang Ming Marine and U-ming Marine both limit up at T\$39.50 and T\$37.50, and steels rose on product price rises, with Feng An Metal limit up at T\$65.50.

BOMBAY was lower in the absence of fresh buying support after ignoring Monday's deregulation of interest rates by India's central bank which many brokers said was favourable to the industry.

Computer problems prevented the calculation of the BSE 30 index, but brokers said that given the decline in prices the index would have shown a 25 to 30-point slide from Monday's 4,385.43.

JAKARTA waited for yesterday's listing of Indosat in the US, and the JKSE composite index eased 0.71 to 510.03.

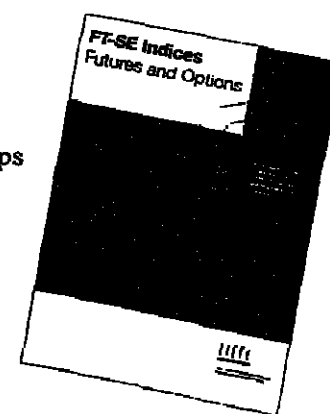
Risky to ignore.

For UK fund managers, asset liability profiles have taken centre stage. However your portfolio stands today, matching future liabilities depends on efficient asset allocations.

That's why fund managers turn to LIFFE's FT-SE 100 Index Futures and Options and FT-SE Mid 250 Index Futures. For low cost asset allocation there are simply no better tools.

For a free copy of LIFFE's new "FT-SE Indices - Futures and Options" brochure which explains more about the contracts and their uses, call Sandy Phillips on 071 379 2439.

Ignoring them can be the greatest risk of all.



LIFFE

The London International Financial Futures and Options Exchange

FT ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS												
Figures in parentheses show dollar index of stock												
	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Index	Local \$/dy. chg	Gras Yield %	US Dollar Index	Pound Sterling Index	Yen Index	DM Index
MONDAY OCTOBER 17 1994												
						Local Index	Local \$/dy. chg	Gras Yield %				
Australia (ASX)	168.99		155.88	104.53	132.10	152.77	0.5	3.83	108.19	168.57	104.48	132.02
Austria (VSE)	187.45	1.6	172.08	115.04	145.53	145.46	0.5	1.10	184.45	171.71	114.59	145.77
Belgium (Euronext)	172.12	1.8	168.75	106.48	134.55	131.81	0.3	4.20	169.42	157.77	105.23	133.86
Canada (TSX)	137.01	0.3	136.78	94.75	107.13	134.48	-0.1	2.80	137.49	127.98	85.41	108.64
Denmark (C20)	280.14	2.6	238.53	160.50	203.35	208.62	1.5	1.42	235.48	167.48	106.45	200.35
Finland (HEX)	197.13	2.1	181.82	121.53	154.10	191.72	0.7	0.73	189.98	151.15	120.52	151.58
France (CAC)	171.20	-0.2	167.00	105.89	133.83	138.63	-1.2	3.13	171.09	152.83	105.67	136.58
Germany (DAX)	147.26	0.5	145.85	92.35	114.95	114.95	-0.6	1.20	146.26	138.90	90.87	115.59
Hong Kong (HSI)	383.94	-1.0	354.02	237.41	300.05	330.80	-1.0	3.23	387.78	380.96	240.01	306.45
Ireland (ISEQ)	213.65	0.9	197.05	132.15	167.02	189.54	0.2	3.34	211.74	193.52	132.55	167.80
Italy (ISE)	79.50	0.9	73.32	49.17	62.15	91.31	0.1	1.72	78.81	73.37	46.88	62.28
Japan (Nikkei)	162.37	-0.1	149.78	100.43	129.53	100.43	-0.5	0.76	162.48	151.26	100.95	128.41
Malaysia (FTSE)	582.05	0.1	578.43	347.67	438.40	551.75	-0.4	1.51	582.82	524.04	348.73	444.88
Mexico (IPC)	2302.03	0.6	2123.19	1423.85	1796.49	8600.30	0.7	1.19	2287.50	2129.46	1421.15	1807.78
Netherlands (AEX)	119.75	0.9	102.08	135.92	171.78	189.00	-0.1	3.42	119.75	102.08	135.92	171.78
New Zealand (NZSE)	73.94	1.2	68.20	46.73	87.80	84.26	0.5	3.78	73.04	67.97	46.88	87.74
Norway (OSLO)	210.24	0.7	193.50	130.04	181.24	185.92	-0.5	1.77	204.81	194.36	123.72	165.81
Singapore (SSE)	326.92	0.6	308.09	245.51	310.28	283.43	0.3	1.57	384.76	367.49	245.26	311.98
South Africa (JSE)	328.35	1.4	300.90	201.85	255.10	288.74	0.6	2.21	321.83	299.60	205.96	254.34
Spain (IBEX)	144.99	0.9	133.73	89.88	113.34	137.32	-0.2	4.04	143.73	133.92	89.58	113.51
Sweden (SSE)	175.18	0.7	161.87	109.35	136.94	131.25	-0.3	1.94	174.80	161.37	109.35	136.94
Switzerland (SMI)	158.95	0.4	155.83	104.50	132.07	150.75	-0.5	1.85	168.32	156.69	104.57	133.02
United Kingdom (FTSE)	203.79	1.3	187.98	126.06	159.31	187.98	0.4	4.04	201.19	187.29	124.89	158.00
USA (DOW)	191.39	0.0	176.52	118.36	148.61	191.39	0.0	2.84	191.41	178.19	118.99	151.27
EUROPE (FTSE)												
Nordic (N10)	175.67	0.9	162.02	108.66	137.32	151.80	-0.1	3.06	174.15	162.11	108.19	137.02
Central Europe (CEX)	232.18	1.9	214.13	143.80	191.48	211.78	0.7	1.40	227.80	212.06	141.53	201.90
Pacific Basin (PBI)	171.70	-0.1	158.56	106.20	134.22	111.27	-0.5	1.08	171.85	157.76	105.76	133.86
Europe Excl. UK (EEX)	173.26	0.3	168.78	107.19	135.43	127.02	-0.3	1.88	172.89	166.76	106.49	136.48
North America (AMER)	168.01	0.3	172.71	116.29	146.97	187.47	0.0	2.82	168.05	172.05	116.16	146.62
Europe Excl. UK (EEX)	156.81	0.6	144.63	96.89	122.58	130.29	-0.4	2.79	155.84	145.07	96.82	123.58
Pacific Excl. Japan (PAC)	262.55	0.2	242.16	162.40	205.24	233.56	-0.3	2.79	263.00	244.83	163.40	207.85
World Excl. US (WEX)	171.18	0.2	161.13	105.89	136.94	131.25	-0.3	1.94	171.18	161.13	105.89	136.94
World Excl. US (WEX)	171.18	0.1	168.41	105.89	136.94	131.25	-0.3	2.06	171.18	167.77	105.89	136.94
World Excl. US (WEX)	171.18	0.2	164.70	110.45	139.69	146.73	-0.2	2.36	172.22	165.81	110.72	140.84
World Excl. US (WEX)	190.68	0.3	175.87	117.94	148.06	178.80	-0.1	2.88	190.68	175.83	118.00	150.20
THE WORLD INDEX (CPI)												
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166.76	111.29	141.57
World Excl. US (WEX)	179.52	0.2	165.57	111.03	140.33	149.77	-0.2	2.28	179.54	166		

Wednesday October 19 1994

equities

etting rally

FINANCIAL TIMES SURVEY

GRAND DUCHY OF LUXEMBOURG

Wednesday October 19 1994

Luxembourg is a tiny, placid country, ostensibly content to drip with prosperity, exploiting its economic niche at the conjunction of France, Germany and Belgium, and punching above its weight as a founder-member of what is now the European Union.

But suddenly it is under international gaze, after its prime minister, Mr Jacques Santer, was vaulted unexpectedly this summer into the presidency of the European Commission, to succeed the powerful Mr Jacques Delors in the new year.

The Grand Duchy will need influence at the Euro-court. In 1996, when the EU reviews its power-sharing and constitutional rules ahead of planned integration of eastern Europe around the end of the century, there will be pressure to downgrade the influence of smaller member states - not to mention mini-states such as Luxembourg.

And ahead of that, EU pressure is already rising to persuade Luxembourg as a fast-growing financial centre to harmonise its low tax regime with its partners. Its powerful neighbours, led by Germany, resent the outflow of capital into the Grand Duchy, lured by its virtually zero withholding tax on foreigners and banking secrecy laws.

"I fear that the two issues will be linked, and that will be very difficult for us," acknowledges Mr François Biltgen, a parliamentary leader of the Christian Democrats, who have governed in coalition with the Socialists since 1984.

But more important than having Mr Santer in Brussels is the virtual certainty that he will be succeeded as Luxembourg's prime minister by Mr Jean-Claude Juncker, a tough and intelligent politician who is widely respected on the Euro-circuit.

Mr Juncker, who at 39 will be the EU's youngest premier, is presently Luxembourg's finance and employment minister. He has won a high reputation among his peers by dint of intellectual ability, straightforward argument, and a gift for building consensus within the

In 1996, when the EU reviews its constitutional rules, there will be pressure to downgrade the influence of smaller member states, writes David Gardner

International gaze falls on mini-state

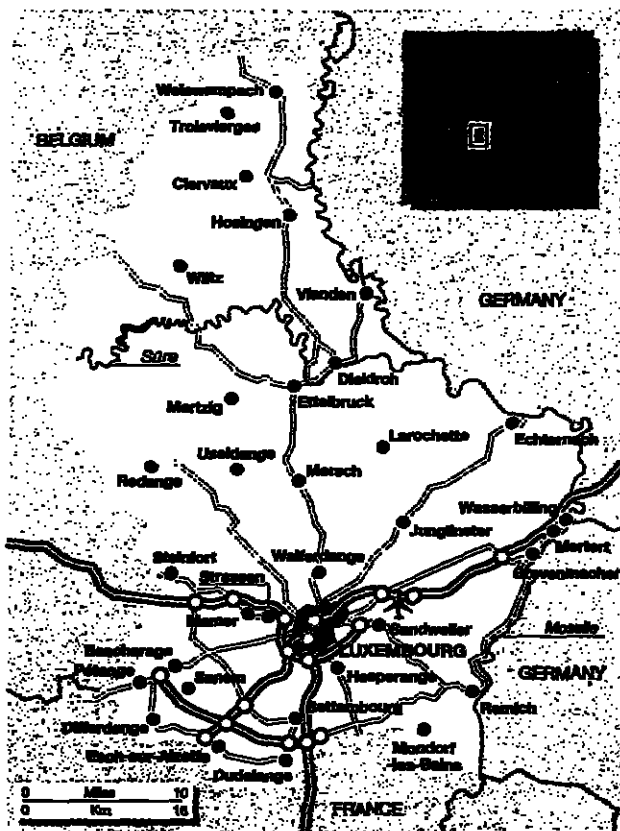
quarrelsome Euro-club.

Mr Delors himself tried hard to persuade Mr Juncker to join the Commission and, according to some insiders, once thought of him as his possible successor. Chancellor Helmut Kohl of Germany, a fellow Christian Democrat, affectionately calls Mr Juncker "Junior".

As finance minister, a portfolio he may well retain as prime minister, Mr Juncker has not shirked hard decisions. In recent years he has started reform of health insurance and last year completed an overhaul of taxation, reducing the burden on middle-income households and small to medium-sized companies, while keeping a tight grip on spending.

The ruling coalition has given Luxembourg an almost unbroken cycle of growth in the past 10 years, as well as political stability. Its planners now foresee national output rising by 3 per cent and more to the end of the century. Luxembourg is alone among its partners in meeting all the Maastricht treaty convergence criteria for economic and monetary union (Emu), notably through government debt at a mere 7.9 per cent of gross domestic product, and the budget in virtual equilibrium. At the same time, it manages to devote a high average of 10 per cent of public spending to capital investment in telecommunications, transport and energy.

Yet prudent stewardship of the public purse is but a small part of the explanation why Luxembourg has the highest per capita income in the EU. Dependent on the economic performance of its neighbours, it nonetheless consistently out-

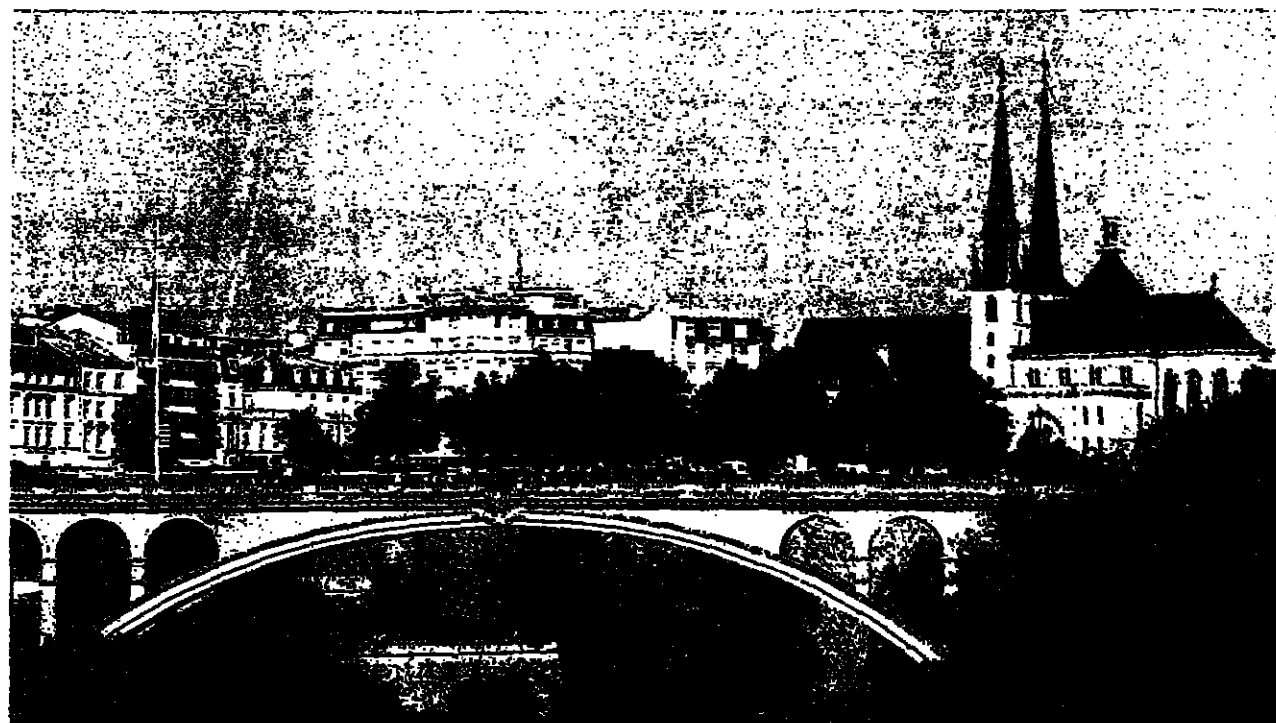


performs them; growth rates never turned negative during the recent recession, and unemployment, high by local standards at 3 per cent, remains at about a quarter of the EU average.

Luxembourgers have prospered by being abnormally fast to identify opportunities for their economy. This is all the more remarkable given that the Grand Duchy has surrendered many conventional tools

of macroeconomic management. Control of exchange rate and monetary policy is vested in its 72-year-old economic and monetary union with Belgium and, by virtue of its geographic position at west Europe's heart, its frontiers were open long before the advent of the Single Market.

In the mid-19th century, Luxembourg was among the first to set up an advanced steel industry, the initial origin of



Luxembourg is targeting high-tech, high value-added foreign companies, offering a generous tax regime and a skilled labour force

its wealth. "It is a skill they have historically: to see a niche and go for it," says Mr Rodney Williams of Flemings, one of the largest managers of the flood of investment funds located in Luxembourg.

Through agility and inventiveness, the Grand Duchy has in more recent decades become a pioneer of the Euro-bond market; a launch-pad for the cable and satellite TV business; a leading personal finance centre through customised banking services and tax-efficient saving through investment funds.

In the latter and other similar cases, Luxembourg enacted the new Euro-legislation on mutual funds (the USITS directive) well ahead of its competitors. The number of funds tripled between 1987 and the end of last year from 405 to 1,175, with the volume of investment rocketing from LFr1.135bn to LFr9.997bn.

"As a government, we introduce quickly and in advance," says Mr Juncker. But, he cautions, "as a small country we don't have the freedom to

make mistakes. Every 10 years we have to invent something new, something which the others have not seen yet. And if you back the wrong horse you're dead."

The finance centre, generating 15 per cent of GDP directly and probably double that once ancillary services from lawyers to restaurants are added in, was definitely a good horse to back.

Bankers and politicians are divided on whether the German-led drive to enforce a withholding tax, and possibly even to erode the finance centre's other precious asset of banking secrecy, could seriously damage Luxembourg.

"The withholding tax is the first wall of the fortress, but the inner wall is [banking] secrecy," says one leading banker. But the signs are that the government is bracing for eventual tax harmonisation.

"We have to behave in a manner so that we are prepared to live without the withholding tax," argues one senior minister. More cautiously, Mr Juncker argues that the

finance centre is close to critical mass and must learn to trade on its skills and experience. "We are becoming richer and richer, but we are not more intelligent, we don't work harder, and we are no better than the others. We have to explain this to our people."

Because of its partners' perception that Luxembourg gets rich by exploiting loopholes, the government is wary of betting too heavily on any one horse, and thinks ahead about diversification. For example, with an already dense network of small to medium-sized industry, Luxembourg is now targeting high-tech, high value-added foreign companies, offering a generous tax regime along with its skilled, multilingual labour force.

"We're very vulnerable, and we've always needed more courage and imagination to defend our vital interests," Mr Juncker says. He will also need courage and inventiveness to defend Luxembourg's position in 1996. As the Grand Duchy's political establishment sees it, the priorities are: to preserve the EU balance between big and small states; ensure that Luxembourg retains its right to a commissioner when the EU expands further; avoid too overt a correlation between country size and population and voting power in the EU's Council of Ministers; and, above all, to avoid all this getting enmeshed with the wrangle over withholding tax.

None of this will be easy, but the very fact that the EU had to resort to Luxembourg and Mr Santer to resolve the Delors succession crisis - after the UK vetoed Belgian premier Jean-Luc Dehaene at the Corfu summit in June - greatly strengthens the Grand Duchy's position.

"It is a sign that small countries make up an important part of the cement of the Union," says Mr Biltgen. "Just his being there was part of the argument for [Luxembourg] having a commissioner." But altogether typically for a Luxembourg, he quickly adds that "we have to look for compromise solutions."

Open up new horizons.

Découvrir des horizons nouveaux.

Neue Horizonte entdecken.



The oldest bank in the market welcomes you. We are a flexible financial partner in the field of private banking. We can offer you personal service, investment opportunities tailored to your requirements, advice on productive investment and efficient asset management.



La plus ancienne banque de la place vous souhaite la bienvenue. Elle s'avère être un partenaire financier flexible dans le domaine du private banking. Nous vous offrons un service personnalisé, des possibilités d'investissements adaptés à vos besoins, des conseils en placements efficaces et une gestion de fortune de qualité.



Willkommen bei der ältesten luxemburgischen Geschäftsbank. Sie suchen einen flexiblen Finanzpartner im Bereich des Private Banking. Wir bieten maßgeschneiderte Anlageprodukte, eine persönliche Betreuung und erfolgsorientierte Vermögensberatung und -verwaltung. Genießen Sie die Schönheiten Luxemburgs.

Banque Internationale
à Luxembourg S.A.
London Branch
Prory House
1 Mitre Square
GB-London EC3A 5BS
Telephone: (71) 623 3110
Fax: (71) 623 5833

société anonyme
fondée / gegründet /
founded 1856
siège social / Hauptsitz /
Registered office
69, route d'Esch,
L-2953 Luxembourg
Telephone: (352) 4590-2020
Fax: (352) 4590-3939

BANQUE INTERNATIONALE
A LUXEMBOURG
Member of SFA



"In Luxembourg, we're not surrounded by water, we're surrounded by opportunity."

BERMUDA • CAYMAN • DUBLIN • GUERNSEY • HONG KONG • ISLE OF MAN
LONDON • LUXEMBOURG • MAURITIUS • NEW YORK • SINGAPORE

"The advantage of being offshore is that you can look down on the markets instead of being caught up in them. And no bank in Luxembourg is more truly offshore than The Bank of Bermuda. We are independent, entrepreneurial and international to the core."

"Through its foresight in writing precedent-setting legislation, Luxembourg has emerged as a thriving domicile for investment funds marketed throughout the EC. There's no question that, as a result, our location in Luxembourg attracts customers to us. We're fully aware, however, that only service and measurable performance will keep them. And we deliver, through a complete range of custodial and banking facilities."

"And we do it on the premise of strong personal relationships that are rare in banking these days."

"If you have any questions about our advantages in Luxembourg, give me a call on 352-404-6461. Or send me your business card and I'll call you. The Bank of Bermuda (Luxembourg) S.A. 13 rue Goethe L-1637, Luxembourg."

THE BANK OF BERMUDA
Exclusively Offshore.

Handwritten signature: *David Gardner*

Luxembourg - London - Geneva - Zurich - Frankfurt - Amsterdam - Madrid - Barcelona - New York - Singapore - Tokyo - Hong Kong

Business conducted from overseas branches may not be subject to the rules made for the protection of investors under the Financial Services Act and may not be eligible for the investor compensation scheme.

SOGENAL

Luxembourg Branch
Headoffice: Strasbourg
subsidiary of the SOCIETE GENERALE

Established in Luxembourg for one hundred years,
SOGENAL, thanks to its experience,
offers you a full range of international banking services including:

Private Banking
Financial Engineering
Corporate Banking
Capital Market Activities
Setting-up and Management of Investment Funds
Financial services.

With its long-established network of branches or subsidiaries
(in Luxembourg, Germany, Switzerland, Belgium and Austria),
SOGENAL is your keypartner throughout Europe.

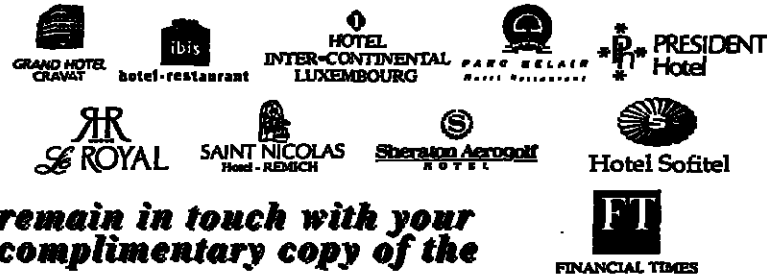
13-15 Avenue Emile Reuter L-2420 LUXEMBOURG
Telephone: 352/22 39 82 Telex: 3516 Signal Lu Facsimile 352/22 88 59



LET'S COMBINE OUR TALENTS.

BE OUR GUEST.

- If you fly to and from the Grand Duchy
ICELANDAIR ✈ LUXAIR
- or if you stay in Luxembourg



remain in touch with your
complimentary copy of the

FINANCIAL TIMES

We are certainly optimistic about the
New Europe. Enhanced competition and
harmonization of essential standards are
bringing Europe's people a whole new
range of benefits.

excellence. We concentrate on wholesale
banking, providing Euromarket services
to credit institutions, top industrial
enterprises, international organizations,
and public-sector authorities. Clients of

LUXEMBOURG SAVOIR-FAIRE

FORTUNATELY, SOME THINGS IN EUROPE ARE NOT EQUAL.

But some things in Europe are not
equal – and are not likely to become so.
For example, Luxembourg's prominent
position in Eurobanking and the efficiency
of its financial sector.

In this competitive and challenging
environment, DGZ International – a wholly-
owned subsidiary of Frankfurt-based Deut-
sche Girozentrale – Deutsche Kommunal-
bank – has established a reputation for

DGZ International profit from the service
potential, market expertise, and the
personal commitment of our Eurobankers
built up over more than two decades of
successful operations in Luxembourg.

If your financing projects call for in-
ternational diversification or if you are
seeking to enhance your cash-flow
management, call on the Luxembourg
Savoir-faire of DGZ International.



Deutsche Girozentrale
International S.A.

DGZ International S.A., 16, Boulevard Royal, L-2449 Luxembourg, Tel: (352) 462471-1, Fax: (352) 462477; Luxembourg Branch: 16, Boulevard Royal, L-2449 Luxembourg, Tel: (352) 47 43 08, Fax: (352) 46 24 77

GRAND DUCHY OF LUXEMBOURG II

Political profile: Jean-Claude Juncker

Firm ideas on the Duchy's EU role

When Jacques Santer takes over
as president of the European
Commission in January, his
successor as prime minister of Luxem-
bourg will be Jean-Claude Juncker, a
politician of calibre and intellect with
firm ideas on Luxembourg and Europe,
and on the Grand Duchy's place in the
evolving Union.

Mr Juncker, currently wearing the
two hats of finance and employment
minister, will bring a change of style
and, aged 39, an infusion of energy to
the job. More private, tougher, and less
of a gladiator than the ebullient Mr
Santer, his main challenges will be to
consolidate and develop Luxembourg's
niche economy, and defend its unique
position within the EU.

The news that Mr Juncker would suc-
ceed Mr Santer – still to be formally
confirmed, as indeed is Mr Santer's
endorsement by the European Parlia-
ment in December – has been welcomed
in Luxembourg. In the June general
elections, the young finance minister,
who is also chairman of the Christian
Social People's Party (CSV), the domi-
nant partner in the Christian Democrat-
Socialist coalition which has governed
the Grand Duchy since 1984, out-poll-
ed all other candidates. This, moreover,
was achieved in his native south, tradi-
tionally a Socialist stronghold.

He comes from the left of the CSV,
and freely acknowledges that "I could
be a Socialist in the Luxembourg con-
text." One of the seven children of a
steelworker and trade union militant,
Mr Juncker trained as a lawyer at
Strasbourg university, although his
father had expected him to be a priest.

He only practised law for five
months, however, before being hand-
picked by Mr Pierre Werner, the then
Luxembourg leader and pioneer of
European monetary union, as secretary
of the CSV parliamentary group, a sort
of whip's job formerly held by Mr San-
ter. In 1982 he became a junior minister,
joining the cabinet in 1984 aged 29.

The one setback in this seemingly
effortless advance was a 1989 car crash
which nearly killed him, but, in the
judgment of one colleague, strength-
ened his personality and (lightly) worn

religious faith.

Politicians from across the spectrum,
bankers and businessmen unfailingly
allude to Mr Juncker's intelligence,
integrity and broad mind, although
some see him as "a bit arrogant", as
one foreign banker put it. Another lead-
ing banker says Mr Juncker's gift is
"the ability to grasp very practical
detail as well as conceptual problems."

This makes him rather like Jacques
Delors, the outgoing European Commis-
sion president to whom he was close,
and who two years ago tried to per-
suade Mr Juncker to go to Brussels to a
"super-commissioner" job in charge of
economic and social policy.

He has also shown himself capable of
taking tough decisions, including recent
reforms to Luxembourg's health insur-
ance and tax systems, and his 1991
attempt, as chairman of the 13 finance
ministers under the Luxembourg Euro-
presidency, to cajole a compromise on
the delicate question of indirect tax har-
monisation.

In the EU, where he sits in two coun-
cils, he has a wealth of contacts and
widespread respect. Chancellor Helmut
Kohl, a fellow Christian Democrat
whose peer he will now be, refers to
him affectionately as "Junio". He is
forthright and sometimes belligerent.

He is also a close observer of develop-
ments in partner states, especially in
the Big Three of France, Germany and
the UK and, according to colleagues, is
not infrequently the forger of compro-
mises between them. "There is no other
way for Luxembourg but to have a good
relationship with France and Germany
and our other partners," he says.

In 1996, the EU will review the Maas-
tricht treaty and its constitutional

arrangements, looking to reform deci-
sion-making and tighten intra-Union
links before expanding further into east
and central Europe. The apparent
anomaly of a mini-state such as Luxem-
bourg having almost equal rights with
big nations, with a veto and a commis-
sioner in Brussels, will be open to
debate, along with the feasibility of a
"multi-speed" path to EU integration.

Before then, pressure will grow on
Luxembourg to impose a withholding
tax on investment income. Powerful
neighbours such as Germany believe
the lack of such a tax for foreigners
gives Luxembourg's finance centre an
unfair advantage, attracting walls of
"their" money.

The fear is that opponents of the
Grand Duchy's fiscal regime will
link the withholding tax issue to
Luxembourg's rights within the Union.

"One of the founding principles of
post-war Europe," Mr Juncker argues
as a leader of one of the founding
nations of the Euro-club, "is that we
have the same rights." He acknowl-
edges, however, that as a small state,
"we can't make full use of those rights."
We could use the veto maybe once
every 10 years; everyone knows that
Britain, France and Germany will
always have greater rights.

But while relaxed about a dilution of
blocking powers, Mr Juncker is ad-
amant that "we can't accept a system in
which Luxembourg didn't have a com-
missioner." That danger has for the
moment receded, with Mr Santer at the
helm in Brussels, and his successor is
more worried about the "multi-speed"
Europe debate sparked off last month
by the German Christian Democrats.

He reasons that political union must
be deepened in 1996, and that the op-
ports from Maastricht on monetary
union (Emu) and social policy given to
the UK have set a damaging multi-
speed precedent. He believes "our social
ambition is too low in comparison to
our other ambitions", for Emu and a
common foreign and security policy
(CFSP) and eventual common defence.

He does not want to see the existing
16 members – assuming Austria, Swe-
den, Finland and Norway join in Janu-
ary – split up, with a so-called hard-core
going ahead faster. Luxembourg, the
only EU member now within the Maas-
tricht debt, deficit and inflation criteria
for Emu, would certainly be in the first
wave towards a single currency.

"It would be easier for seven or eight
members to go on together as a
hard-core," he says, "but not in the
really hard [policy] fields, such as
defence." Mr Juncker argues. Moreover,
he does not want to see the UK, or the
southern states, falling out of the Euro-
convoy. A hard-core "would make it
very difficult to bring the British back
to the centre of Europe," he says, adding,
"For all the differences we have
with the UK, it is a part of Europe, and
it brings a dimension to Europe which
I'm not prepared to lose."

On the tax issue, Mr Juncker says:
"We are no longer in the blocking field
but in the proposing field." Luxem-
bourg has argued that a withholding
tax harmonisation should extend to
other OECD countries such as Switzer-
land and Austria, in order to prevent a
capital outflow from the Union. But it is
widely assumed that Luxembourg's
new prime minister will start preparing
for the time when the finance centre
will no longer have the tax advantage,
through policies which exploit other
skills and advantages.

"Juncker is the man to shake Luxem-
bourg out of their complacency,"
judges a local journalist. "The prime
minister-in-waiting himself says: 'We
have to concentrate on the objective
advantages we can offer. It's not wise to
concentrate on the tax difference.'"

David Gardner

Political profile: Jup Weber

Green with ambition

Mr Jup Weber, the first
Green that Luxem-
bourg has sent to the
European Parliament, is a man
of ambition who would like to
work himself out of a job, at
least a political one, writes
David Gardner.

"I said 10 years ago that my
dream was that in 10 years'
time we wouldn't be necessary
any more. But the fact is that
we are still very, very neces-
sary," Mr Weber says.

Before he retires from the
fray, he can envisage an event-
ual stint as environment min-
ister in one of the coalitions
that habitually govern the
Grand Duchy, none of which

have yet extended to ecologi-
sts.

Mr Weber, a genial 44-year-
old forestry engineer, first won
election to Luxembourg's national
assembly in 1984 as part
of the first wave of ecologi-
sts entering parliament
across Europe, or at least the
more prosperous and environ-
mentally aware northern parts.

It is not difficult to see why
Luxembourg – the richest
European Union country on a
per capita basis and the only
country in the Union where
growth did not turn negative
in the recent recession – should feel it can afford
a green conscience.

But this is not to deny the
achievement of Mr Weber as
that conscience's main expres-
sion, particularly in unifying
the disparate Green constitu-
ency in the Grand Duchy
around his own pragmatic, or
"Realo", faction.

The Greens, along with the
Christian Democrats and
Socialists who have formed
three successive government
coalitions since 1984 – and the
Liberals, can now lay claim to
be mainstream players in Luxem-
bourg politics. Indeed, the
Luxembourg Greens, polling
some 12 per cent in the
Grand Duchy's national and
European elections last June,
got the best score of any envi-
ronmental party in the Union.

This reflects not only the
comfort of prosperity, but
acute ecological challenges fac-
ing Luxembourg which, as a
micro-state at the junction of
France, Germany and Belgium,
has only a loose grip on envi-
ronmental levers.

Citizens fret about motor-
ways and waste dumping,
greenhouse gases and the ring
of their neighbours' nuclear
power plants surrounding them.

The already extensive motor-
way system is being extended
and widened, partly to ease the
congestion caused by high per
capita car ownership and the
flood of foreigners who com-
mute to work in Luxembourg –
but also, it seems to many
residents, for the benefit of
through traffic and road
freight which just uses Luxem-
bourg as a motorway.

There has been virulent local
opposition to a new waste
recycling plant planned for
Mamer near the border with
Belgium. Because of its tiny
size, Luxembourg traditionally
exported its waste to neigh-
bours for recycling, but it is
bowing to EU pressure for
waste management close to
source.

Luxembourgers worry about
emissions from their steel
industry, the original source of
their wealth, which even in
much-slimmed-down form
makes their country the high-
est per capita producer of car-
bon dioxide into the atmo-
sphere in the EU, at more than
four times the Union average.

The link between Arbed, the
large Luxembourg steel manu-
facturer, and imported nuclear-
generated electricity, is one of
Mr Weber's particular bete
noires.

Arbed, as part of its restruc-
turing, is converting to electric
arc furnaces and will be buy-

ing in electricity from Belgian
and French nuclear plants,
including Cattenom, just over
the French border and 25km
from where Mr Weber lives in
Junglinster.

The Green leader sees this as
long-term endorsement of the
nuclear power option – with
the difference that Luxem-
bourg has no regulatory con-
trol over the actual plants
producing the electricity.
Instead, he wants gas turbine
plants built inside Luxem-
bourg.

"I can see being environment
and energy minister in five to
10 years time," he says confi-
dently, "and going to Paris to
ask them to close it [Cattenom],
and being told, quite
correctly, that Arbed depends
on it."

Another of Mr Weber's prime
targets has been the Grand
Duchy's petrol prices, signifi-
cantly below EU rates because
of minimal excise taxes.

He wants an end to the
"scandalous gasoline tourism"
this generates through drivers
filling up in the Grand Duchy.

In the June elections, the
Greens called for immediate
equalisation with neighbouring

petrol prices, and then incre-
mental tax rises thereafter.
Opponents painted this as a
price quadrupling, which "cost
us two seats in the Luxem-
bourg parliament," Mr Weber
claims.

Yet he believes that an
important battle was won,
because he is convinced that
when Mr Jean-Claude Juncker,
the current finance and labour
minister, takes over as prime
minister in December, eco-
taxes on petrol and non-recy-
clable packaging and contain-
ers will gradually be intro-
duced.

"I've been preaching for 10
years that we should have eco-
taxes, and now they're going to
do it," Mr Weber predicts confi-
dently.

Scaremongering did not pre-
vent the Greens winning their
coveted seat in the European
Parliament, which Mr Weber
regards as "a fantastic instru-
ment for international net-
working."

He has long advised the
Green group at Strasbourg on
forestry conservation, and will
now be working with the par-
liament's environment, agricul-
ture, and external economic

relations committees.

Mr Weber, trained as a
forestry engineer at the
University of Vienna and with
a background in Luxembourg's
own forestry administration,
has combined politics with
half-time work for his own
consultancy, presently engaged in
pilot forestry management
projects in Siberia and Canada.

Luxembourg law defines an
MP's role as a half-time
profession requiring an
average 20 hours a week; "a
very good system for avoiding
addiction to politics," Mr
Weber smiles, and one he
intends to continue as an MEP.
"I'm involved in a fascinating
project in Siberia and I'm not
going to give that up," he says
firmly.

He has already given an
earnest indication of his
independence at Strasbourg,
annoying his fellow
Euro-Greens by being the only
one of their number to vote in
July for Mr Jacques Santer, the
outgoing Luxembourg prime
minister, as successor to Mr
Jacques Delors presiding over
the European Commission.

"I had fierce problems," he
recalls, "but I too was annoyed
with their argument that a
small country equals a weak
president." For a Luxembourg
Green, small is beautiful, but
– as the ecological challenges
which the Grand Duchy faces
demonstrate – it is also
problematic.



THE BANQUE PRIVÉE EDMOND DE ROTHSCHILD GROUP IN LUXEMBOURG

OUR OPERATIONS IN LUXEMBOURG ARE HANDLED BY TWO BANKS:
A BRANCH OF BANQUE PRIVÉE EDMOND DE ROTHSCHILD S.A. GENEVA AND
BANQUE DE GESTION EDMOND DE ROTHSCHILD LUXEMBOURG.

BEING ONE OF THE LEADERS IN THE FIELD OF UNDERTAKINGS IN COLLECTIVE
INVESTMENT IN LUXEMBOURG, WITH OVER 75 INVESTMENT FUNDS DOMICILED WITH
OUR BANK WE OFFER AN OPTIMUM SERVICE TAILORED TO SPECIFIC REQUIREMENTS.

FOR GUARANTEED FUNDS, MULTIMANAGER FUNDS, FUTURES AND DERIVATIVES
FUNDS, OR ANY OTHER FORM OF INVESTMENT COMPANY WE HAVE DEVELOPED AN
EXPERTISE IN ADVISING AND IN SETTING UP THE MOST APPROPRIATE STRUCTURE
COMPATIBLE WITH OUR CLIENTS' NEEDS.

THE ADMINISTRATION AND THE FLOW OF INFORMATION FROM THE SPONSOR AND
MANAGERS IS HANDLED BY PROFESSIONALLY SKILLED STAFF USING A STATE-OF-THE-ART
TECHNOLOGY.

AT ROTHSCHILD, PRIVATE BANKING IS A TIMEHONOURED TRADITION WHICH
ENABLES US TO PROVIDE CUSTOMIZED SERVICES AND PRODUCTS WHICH OFFER THE BEST
PROTECTION FOR OUR CLIENTS' ASSETS.

For further information, please contact:

PRIVATE BANKING
Olivier d'Auriol - President
Benoit de Huls - First Vice-President,
Eric Candon de Lichbuer - Reggie Van Leer
20, Boulevard Emmanuel Servais - L-2535 Luxembourg - Tel. (352) 47 93 46 1 - Fax. (352) 46 02 16

INVESTMENT FUNDS

Anne de La Vallée Poussin - First Vice-President,
Edmond de Burlet - Deputy Vice-President,
Jean Heckmus - Second Vice-President

Liberal a
to broad

Exhibition and Center
Luxembourg-Kin

GRAND DUCHY OF LUXEMBOURG III

MEDIA ENTERPRISES

Liberal attitude to broadcasting

Ever since Mr Rupert Murdoch, the broadcasting and newspaper mogul, avoided UK regulations on media ownership by registering his Astra satellite in Luxembourg, the Grand Duchy has enjoyed a certain notoriety as a base for media enterprises.

Through the television and radio broadcasts of Compagnie Luxembourgeoise de Télédiffusion (CLT), the satellite dishes of Société Européenne des Satellites (SES), Luxembourg is responsible for broadcasts to more than 50m Europeans.

This is largely thanks to a very deliberate strategy adopted by the Luxembourg government to encourage the development of the media industry. As early as 1981 it decided to allow a private company, Compagnie Luxembourgeoise de Télédiffusion (now CLT) to broadcast from its territory, rather than creating a public sector broadcaster for its tiny population.

On the other hand, and in spite of the government's attempts to encourage the broadcasting industry, it would be wrong to exaggerate Luxembourg's importance as a media base.

But the media is an important sector of the Luxembourg economy. Perhaps the biggest attraction for incoming investors has been the Grand Duchy's traditionally liberal approach to broadcasting, in contrast to the highly regulated media industries common across the rest of the European Union.

According to private operators, key government ministers are available to answer questions and resolve problems in person, all of which reduces bureaucracy and leads to speedy decision-making, often tailor-made to suit the needs of a specific project.

"Luxembourg is small enough to provide you with a very instant access to all of the decision makers in this country," says Mr Yves Feltes, of SES. "In a new venture like SES, the support of the Grand Duchy has proved to be very valuable."

Ms Karin Schmitgen of CLT adds: "It is very important to have the backing of governments, especially when you consider that in many countries the media is a political issue."

Although it is small, the Grand Duchy enjoys sovereign status which means that along with the rest of Europe, it has been granted an allocation of satellite frequencies.

In 1983, the government granted a franchise to private investors to use the satellite frequencies allocated to Luxembourg, which led to the establishment of one of the country's greatest successes, the Astra satellite project.

SES, the franchise holder, created Europe's first private satellite system. Today, according to

government figures, 55m households all over Europe can receive a selection of 50 television channels and an even greater number of radio programmes either directly to their homes with a satellite dish, or through cable systems.

At the end of this month, SES hopes to launch its fourth dedicated television satellite. It will be capable of transmitting 16 channels of television using analogue technology plus two transponders set aside for experimenting with digital technology. There will also be 40 transponders designed to provide back-up if any of Astra's existing three satellites should fail.

The liberal environment has bred another well-known European success. CLT is now involved in 10 television channels and 18 radio stations across eight different European countries, mostly under the RTL logo. In addition, it has become involved in rights acquisitions, film productions, co-productions and other press activities.

"We feel that being based in Luxembourg has been an asset for the European expansion of the group," says Ms Schmitgen. "It is much easier to be European when you are a Luxembourger. Luxembourg is somehow in between cultures. The key to success is to stay close to your audiences and you can only do that if you understand them."

"From here you have a pretty good understanding of what French culture means, and also of what the German culture means," she adds. Meanwhile, the Luxembourg government is doing its best to encourage the media industry to diversify. In particular, it has focused on production companies.

Since 1988 it has offered special tax incentives for filmmakers, aimed principally at producers of TV drama series.

To begin with the strategy had only a mixed success. While more money than expected was spent in the country by mainly small operators, few producers put down roots. Many producers simply made their films and then left, contributing nothing to the industry's infrastructure.

Since the early 1980s, the law has been changed to put a greater emphasis on attracting indoor studio filming.

"The government has tried to encourage investors not only to come to Luxembourg, but to invest in the infrastructure too," says Mr Pierre Goerens, of the audiovisual department of the government. "This is gradually paying off."

According to the government, the policy has had significant spin-offs including the establishment of 23 production companies, three animation studios, four production and three post-production studios.

Emma Tucker

Simon Gray reviews the political scene

Santer departure ends log-jam

group won five each.

Apart from a brief period immediately after the war, Luxembourg governments have been formed by the CSV in coalition with the LSAP and the DP on an alternating basis. The only exception was between 1974 and 1979 when a DP-LSAP government headed by Mr Gaston Thorn, later a European Commission president, pushed the CSV into a rare period of opposition.

Today, though, the habit of alternation seems to have broken down. Not only is the present coalition now in its third five-year term - a record period - but its progress has been largely untroubled by squabbling between the two partners: previously a tradition, especially for so-called "grand coalitions" between the socially conservative and economically moderate CSV and the left-leaning LSAP.

Ten years of co-habitation has smoothed many of the ideological rough edges of the coalition, such as they exist.

The fact that both coalition partners have close links with a wing of the trade union movement helps - Mr Jean Spautz, CSV interior minister, and Mr John Lahure, LSAP health minister, came into government from full-time

union positions. But the political balance has been thrown into question since Mr Santer, 57, emerged as a compromise candidate to head the EU Commission after Britain's veto of Mr Jean-Luc Dehaene, the Belgian premier. His departure for Brussels promises to spark a wholesale change across the political spectrum.

Mr Santer's successor, subject to confirmation by a CSV party congress in December, will be Mr Jean-Claude Juncker, 39, the finance minister, who is the second-youngest member of the government.

The youngest minister is Mr Alex Bodry, 36, the LSAP defence minister, who is himself widely tipped as a future leader of his own party if, as many observers believe, Mr Poos, 55, soon decides to call a halt to his ministerial career.

And the opposition now has a young face since the DP reacted to its third consecutive election set-back by replacing Mr Charles Goerens, its president, with the popular and photogenic mayor of Luxembourg City, Mrs Lydie-Wurth-Polfer, 42, on November 22. This development reflects

the popular vote in June, which seemed to indicate desire for a change. Mr Santer won fewer personal votes than Mr Juncker in the European Parliament poll throughout the country, and he also trailed Mrs Wurth-Polfer in the central district vote for the national parliament. In the southern district, Mr Bodry came within a few hundred votes of his party leader.

The CSV might just use the reshuffle entailed by Santer's departure to bring more young talent into government. New blood is sorely needed, for the CSV ministerial ranks have a somewhat jaded look. Mr Santer has been a member of the government for 17 years, Mr Fernand Boden has been family minister and Jean Spautz has been interior minister for 15 years, and Mr Marc Fischbach has been education minister for 10. For all his relative youth, Mr Juncker will shortly complete 12 years in office.

That is the kind of problem the DP can only dream of. The party, which combines a liberal social philosophy with free-market economics, long played the same kind of piv-

otal role in government as Germany's Free Democrats.

Since 1984, however, the party has found itself shut out of government by the grand coalition and - like the FDP - has struggled to offer a discernible alternative to rivals which are increasingly fighting over the centre ground.

Mrs Wurth-Polfer now has the job of articulating and communicating a distinctive character and message for the DP - no easy task, but a crucial one. Few observers believe the party could survive a fourth election defeat, at least in its present form.

One factor which has made life difficult for the traditional opposition is the rise of single-issue politics. This first made an impact in 1979 when the leader of the Euroles de Force, Luxembourgers conscripted into the German armed forces during the 1940-44 occupation, was elected to parliament in a (successful) bid to win better social security treatment.

In 1983, a group calling itself the Five-Sixths Pensions Action Committee won four seats in the Chamber of Deputies on a platform consisting principally of a demand for the upgrading of private-sector pensions to match those of public employees, who on

retirement receive five-sixths of their final salary.

Despite efforts by the coalition to defuse the issue with new provisions for private-sector pensions, the group returned to the election fray this year, now calling itself the ADR (Action Committee for Democracy and Pension Justice), and won a fifth seat in parliament.

The Greens, too, have benefited from dissatisfaction with the traditional parties, building up their parliamentary strength from two seats in 1984 to five this year despite turbulent internal politics which split the movement in two separate parties for 10 years.

Environmental consciousness has grown strongly in Luxembourg over the past decade, and the party has benefited from controversial issues such as the nuclear power station at Cattenom, just over the French border, which helped the Greens win a first-ever seat in the European Parliament this year. The party, which is in the process of reuniting, has ambitions of entering the government in five years' time.

The rise of the Greens, along with the collapse of the communist system in eastern Europe, also spelled the effective demise of Luxembourg's Communist Party, which as recently as the early 1970s had five members of parliament but lost its last remaining seat in June.



"Our requirement was for a global service reinforced by effective local support - so we turned to Cedel. Their service is certainly global, over 60,000 securities, and presence in key financial centres.

It's their local support services which really make the difference - multilingual professionals who understand their regional markets.

Our queries are promptly and swiftly dealt with.

Wherever, whenever, Cedel people and Cedel technology give us the service we need."



Global clearing, settlement and custody services

London

Luxembourg

Hong Kong

Tokyo

New York

Exhibition and Conference Center Luxembourg-Kirchberg	
HIGHLIGHTS OF THE CALENDAR OF TRADE FAIRS AND SHOWS (Subject to change)	
17.11-18.11	INTERNATIONAL UNIVERSITY AND PROFESSIONAL TRAINING SHOW
19.11-23.11	EUROCAST - 7th International Gastrology Trade Show
26.11-27.11	INTERNATIONAL BAZAR
01.12-04.12	AAA - Arts, Antiques, Actualities
20.01-22.01	"VAKANCE" - Tourism Trade Show
04.03-12.03	EUROPLENAR - European Trade Show for Leisure and Open-air
08.03-12.03	"IS PROGRESS NOT A MYTH?" - PROMOTION 4+
09.03-12.03	"NEW QUALITIES" - EUROPEAN COOPERATIONS - European Cultural Capital 1995
09.03-12.03	ANTIQUES AND FINE ARTS EXHIBITION - LUXEMBOURG BOOK FESTIVAL
25.03-26.03	DOGEPPO
25.03-26.03	INTERNATIONAL DOG SHOW
30.04-03.05	EUROPE MEETLES FURNITURE SHOW BELGIUM-LUXEMBOURG
20.05-28.05	LUXEMBOURG INTERNATIONAL TRADE FAIR - Spring Fair (consumer goods)
10.06-11.06	FLA-MARKET
11.06-16.06	3rd EUROPEAN CONGRESS ON NEW TECHNOLOGY AND ADVANCED TECHNIQUES IN SURGERY
10.09	INTERNATIONAL DOG SHOW
15.09-17.09	INTERSECURITY - International Trade Show on Security
15.09-17.09	OBEO-FORCE
16.09-17.09	BRITAIN IN LUXEMBOURG
16.09-17.09	FLA-MARKET
07.10-13.10	LUXEMBOURG INTERNATIONAL TRADE FAIR - Autumn Fair (investment goods)
24.10-27.10	BUREAU-TEC - International Trade Show for Office and Communication Technology
26.10-27.10	INTERNATIONAL BANKING SEMINAR
04.11-19.11	"VIRTUAL REALITY" - GORKE-INSITU/7000 Luxembourg
16.11-17.11	INTERNATIONAL UNIVERSITY AND PROFESSIONAL TRAINING SHOW
20.11-24.11	INTERNATIONAL TRADE SHOW "URBAN EQUIPMENT AND MUNICIPALITY TECHNIQUES"
20.11-21.11	MUNICIPAL DAY
22.11-24.11	INTERNATIONAL SYMPOSIUM "Institut National de Recherche Scientifique" - INRS
30.11-03.12	AAA - Arts, Antiques, Actualities
02.12-03.12	INTERNATIONAL BAZAR
Société des Foires Internationales de Luxembourg S.A. 12089 Luxembourg T44 0252-4379-4 Fax 0252-4399-515 Telex 2209 Mété L	

GRAND DUCHY OF LUXEMBOURG IV

Simon Gray reports on industry and the economy

A grudging declaration of victory

This summer, Luxembourg's Industry Federation, Fedil, somewhat grudgingly declared victory in the battle against recession. Order books were filling and margins improving, the federation conceded, although it cautioned that the recovery would not be fully evident until 1995.

Why the reluctance? For Fedil, the downturn has been a useful stick with which to beat the government for what the industrialists see as its failure to tackle the structural problems of the Luxembourg economy, which they view as a threat to the country's long-term competitiveness.

To drive home the point, the federation sent an elegantly produced "memorandum" to the 60 MPs elected in the June 12 general election, entitled *The Economic, Social and Environmental Policy Stakes*.

The document called for a series of measures to assist economic development in general and industry in particular, including a reduction in the overall level of corporate taxation, greater state assistance in cash and kind for the creation of new enterprises, the abolition - or at least modification - of the automatic system of

salary indexation, and greater flexibility in employment regulations.

At the top of the hit-list of Fedil and other employers' groups is the cost-of-living indexation of salaries, which they say fuels inflation and keeps Luxembourg producers at a disadvantage vis a vis competitors abroad.

"We must stimulate the spirit of enterprise and entrepreneurship," says Mr Marc Assa, the federation's president. "The enterprise is the basis of a nation's prosperity and well-being, and we must not allow this reality out of our sight."

For years, Fedil has been arguing that unless the authorities take action, Luxembourg risks the displacement of its industrial activity to countries with lower costs. But the trend in industrial investment seems, if anything, to be

Certainly, Sommer Allibert, the French industrial group of which Mr Assa is chief executive, does not seem worried about Luxembourg's future competitiveness. In September, the group inaugurated two new factories at Eselborn in northern Luxembourg to manufacture vehicle components and floor coverings, an investment totalling nearly two billion francs.

Steel producer Arbed is resurfacing after a big downturn

Manufacture vehicle components and floor coverings, an investment totalling nearly two billion francs.

Mr Assa used the occasion to announce that Sommer had decided to invest a further billion francs in the Grand Duchy for the development and introduction of new products geared to meeting tougher European environmental standards, as well as the creation of a

research and development centre.

This decision, he noted, was due in part to the advantageous economic environment.

Although no new large-scale, multi-billion-franc projects have been announced in Luxembourg recently, several have come on line, such as Guardian's automotive glass products facility near Grevenmacher in the east, or are being implemented, such as a toy factory for the US Rubbermaid group in Differdange and a wood products plant for Austrian company Kronospan in Sanem.

The jobs created by the American and Austrian investments, in an area of southern Luxembourg which 20 years ago was almost entirely dependent on the steel industry, illustrates the success of the policy of industrial diversification pursued by successive Luxembourg governments.

The policy, backed up by extensive construction of infrastructure and a package of tax incentives, has been aimed at small projects as well as large, and made the Grand Duchy an exporter of composite materials for Formula 1 cars and of Japanese mushrooms as well as of glass, aluminium foil and videotapes.

Meanwhile, Luxembourg's steel producer, Arbed, is resurfacing after a big downturn which brought group losses of LFr5.7bn last year. The group now says it hopes to be back in the black for 1994.

In the early 1970s, Arbed employed more than 27,000 people in the Grand Duchy. By the end of 1993 this figure will be nearer 6,000. But the company is in the middle of a LFr1.8bn modernisation programme which involves the installation of electric arc furnaces and continuous casting facilities at three Luxembourg

sites and one in Thuringia, Germany.

The group's confidence was emphasised earlier this year by its decision to acquire a controlling interest in the struggling Bremen-based Klockner Stahl through its Belgian subsidiary, Sidmar of Ghent. The

The steady increase in employment has slowed in the past two years

deal makes Arbed Europe's third-largest steelmaker after France's Usinor-Sacilor and British Steel.

Arbed's steady shedding of manpower has been achieved without any significant increase in unemployment. The jobless total peaked in January at some 4,600 and now seems to have stabilised at about 4,000, some 2.4 per cent of the workforce. That figure is

double the average unemployment figure as recently as 1990, but it must be set against an increase in total employment between 1990 and 1993 of some 19,000 jobs.

Of the total 187,000 employees in March 1993, more than 47,000 were cross-border commuters from Belgium, France and Germany. Together with resident non-Luxembourgers, foreigners have accounted for a majority of jobs since 1982 and last year they occupied nearly 53 per cent of jobs.

The steady increase in employment (or at least of foreigners - the number of Luxembourgers has been falling in absolute terms since 1991) has slowed in the past couple of years, reflecting an economic downturn which bottomed out at 0.3 per cent growth last year.

Only in the first quarter of 1993 did the economy actually contract - by 0.3 per cent.

The official forecasts of growth of 1.5 per cent this year and 2.6 per cent next are already being overtaken. Mr Jean-Claude Juncker, finance minister, presenting his draft 1995 budget to parliament in September, said he was calculating on growth of 2.9 per cent.

The downturn has left its scars, however. The number of bankruptcies has risen from 100 in 1991 to 233 last year and 125 in the first four months of this year.

But there is at least one sector where recovery is already being celebrated. Commercial property, which was the first to hit the doldrums, now seems well set to grow. According to property brokers Jones Lang Wootton, the amount of empty office space fell by about 85 per cent last year as demand picked up.

Office blocks which stood empty for months are filling up as firms, particularly in the financial sector, take the plunge into new premises. New developments are under way in the Luxembourg City suburbs of Kirchberg and Gasperich, and a business park near the city's airport is now full, practically to the last square metre.

The insurance sector is expecting growth, writes Simon Gray

New era of opportunities

Last year was an excellent one throughout Luxembourg's insurance sector, the Grand Duchy's Insurance Commission was able to report in October in its annual survey of the market.

The completion of the single market in insurance - with the implementation of the European Union's third generation life and non-life directives, which took effect on July 1 - now offers Luxembourg the opportunity to become a centre for the cross-border life insurance industry, the authorities believe and hope.

"The life business has developed tremendously well over the past couple of years," says Mr Victor Rod, the Insurance Commissioner, who is admired by players in the cross-border market for his vision in creating a hospitable legislative, regulatory and fiscal environment for the sector. A decade ago he took similar steps to create a captive reinsurance industry in Luxembourg.

Many industry players believe Mr Rod is onto another winner. At the last count, about 20 "dedicated" cross-border life insurers were selling products on a pan-Euro-

pean basis, along with seven domestic insurers also active on a cross-border basis.

By contrast, the Dublin International Financial Services Centre, widely perceived to be Luxembourg's main rival for pan-European business, had four companies, although both centres have more applications in the pipeline.

Even under the EU's Second Life (Services) Directive, a half-way house on the way to the single market which allowed companies to sell

The new era will mean changes in the local Luxembourg market

products cross-border to customers who asked for them, freedom of services (ie non-domestic) business made up 71 per cent of all life premiums received by the industry in 1993.

The new era will also mean changes in the local Luxembourg market, which is dominated by two large domestic insurers and the subsidiaries or branches of Belgian, French, German and Swiss companies. Instead of the

Commission setting prices and conditions for the industry, companies will be free to decide their own - perhaps to the benefit of the long-suffering Luxembourg consumer.

In fact, Luxembourg is one of the EU countries which have not yet passed the so-called third generation insurance directives into national legislation, in large part because of disruption caused by a general election in June and the subsequent formation of a government, followed by the country's traditional summer hiatus. The legislation is scheduled to go through parliament in November.

According to Mr Rod, Luxembourg offers an "unbeatable combination" of advantages as a life insurance centre - the existence of the banks and investment funds, fund management skills, a central location, the linguistic abilities of Luxembourgers and other res-

idents, strict confidentiality rules which match those applying to banks, and the lack of any premium or capital tax. All those advantages are available elsewhere, he says, but not in one single place.

All areas of the Luxembourg market - life and non-life, domestic and international, direct insurance and reinsurance - enjoyed growth in 1993, according to the Commission. At year-end the sector comprised 73 companies, but four new life companies have opened since then.

Non-life premiums rose 18.12 per cent to LFr24.4bn, while life business grew 40.4 per cent, to LFr20.4bn, of which LFr14.6bn consisted of cross-border business. This growth compares with an increase of 14.3 per cent in life premium income in 1992, the first year in which pan-European business represented a substantial proportion of the total.

Two companies dominated

cross-border business last year and will continue to do so in 1994. PanEuroLife, established by France's UAP group and the Banque Internationale à Luxembourg, had premium income of some LFr6.3bn in 1993 and expects to exceed LFr10bn this year.

Lombard International Assurance, whose shareholders include Standard Life, Europe's largest mutual life insurance company, and Aberdeen Trust from Britain and Switzerland's InterAlliance Bank, notched up \$81m (LFr4.25bn) last year, and Mr Andrew McKenna, marketing director, says the company is on course to meet its 1994 target of £150m.

Lombard's target is the so-called "grey panther" - the growing market of medium-rich Europeans which is also the focus of Luxembourg's private banking sector. "Life insurance enjoys an advantage over banks and investment

funds," says Mr McKenna, "because it offers open tax benefits in our target markets" - Germany, Britain, the Benelux countries, Sweden and increasingly France.

Mr McKenna says Lombard would be happy to see more competition because it would demonstrate the maturity of the sector - and would help to attract new customers to all market players. It looks as though he won't have too long to wait.

A new wave of companies is now making plans to enter the market, with British institutions to the fore. Scottish Equitable and CMI have publicly declared their intention to come to Luxembourg; Norwich Union and Scottish Provident International have made no secret of their interest.

There's more to come, according to Mr James Ball, whose consultancy firm, JBI Associates, specialises in the insurance sector. "Since July 1

there has been great interest from the United Kingdom which was not there before," he says. "There's hardly a company there which is not in the marketplace. But German companies are showing interest too."

So are local ones. Le Foyer, Luxembourg's largest domestic insurers, has already ventured into the cross-border market by selling products to Danish expatriates. A change in the law curtailed that business, but François Tesch, man-

Some 20 more applications are likely to be approved

aging director, says the company is seeking foreign partners and is devoting a third of its resources to foreign projects.

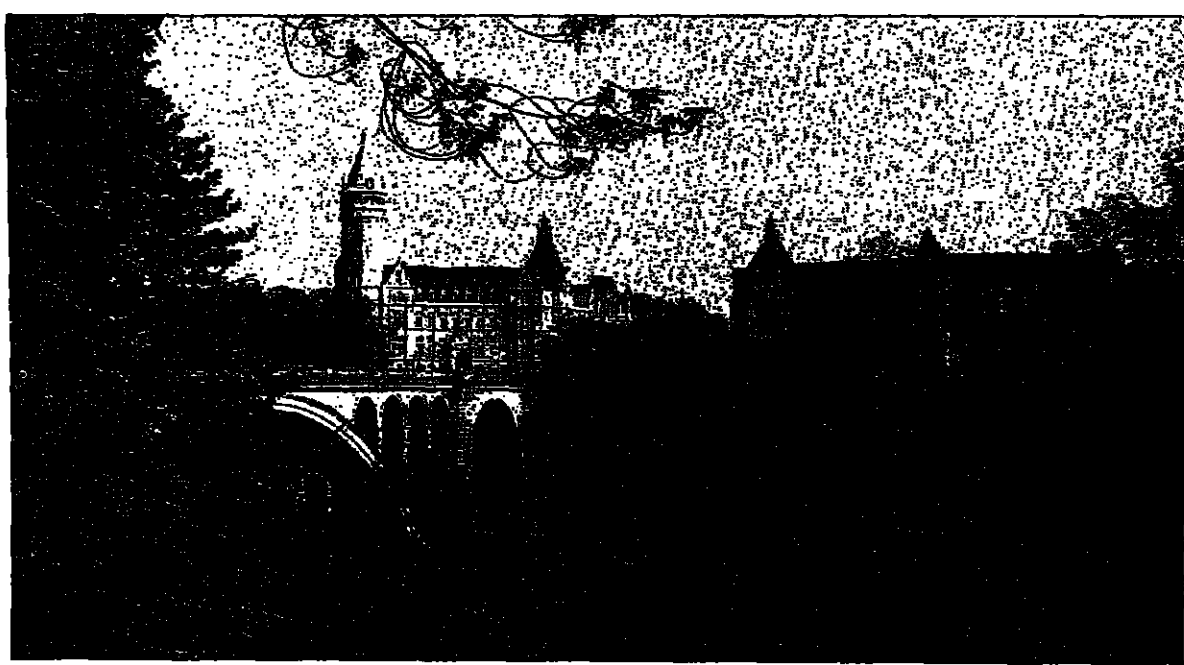
Somewhat overshadowed these days by the more glamorous life business, Luxembourg continues to expand its role as a centre for captive reinsurance business, first welcomed in 1984 at the urging of Swedish companies which were forbidden by their national authorities to estab-

lish captives in offshore jurisdictions such as Bermuda.

The reinsurance sector numbered 201 at the end of August thanks to a sudden burst of expansion, with 19 new licences being delivered since the beginning of this year. According to the Commission, some 20 more applications are likely to be approved in the coming months.

The reinsurance sector, which until recently was dominated by Scandinavian, French and Belgian companies, collected premiums totalling LFr65.2bn in 1993 and at year-end had accumulated technical provisions totalling LFr153bn (up 43 per cent in two years) under rules which allow reserves of up to 20 times premium income to be sheltered from corporate taxation.

Mr Rod believes that prospects for growth in the reinsurance sector are limited now because most of the multinational groups which meet Luxembourg's stringent criteria for the establishment of captives are already represented here. But a wave of interest from German groups, with five new companies set to be established this year, may persuade him to revise his view.



Your Banking Address in Luxembourg is Nr 1 Place de Metz

When looking after your financial interests in Luxembourg, you might as well do it at a prime address.

BANQUE ET CAISSE D'ÉPARGNE DE L'ÉTAT, LUXEMBOURG, (BCEE) has more than a Number One location in Luxembourg: it is Number One on the domestic market and you should take advantage of its Number One experience and expertise in the institutional and interbank markets.

BCEE has a balance sheet total of 659,593 million LUF. Basic own funds (tier 1 capital) amount to 19,282 million LUF and net profit reaches 1,512 million LUF. Net assets of investment funds managed by BCEE progressed last year by 128.06%.

Banque et Caisse d'Épargne de l'État, Luxembourg, keeps anticipating developments in the local and

international financial markets and offers a large range of services and products to international institutions:

- Luxembourg and Belgian Franc Clearing
- ECU-Clearing
- Luxembourg Stock Exchange
- Luxembourg Franc Capital Market
- Primary Dealer in Belgian Government Bonds
- Undertakings for Collective Investments
- Custodian Services

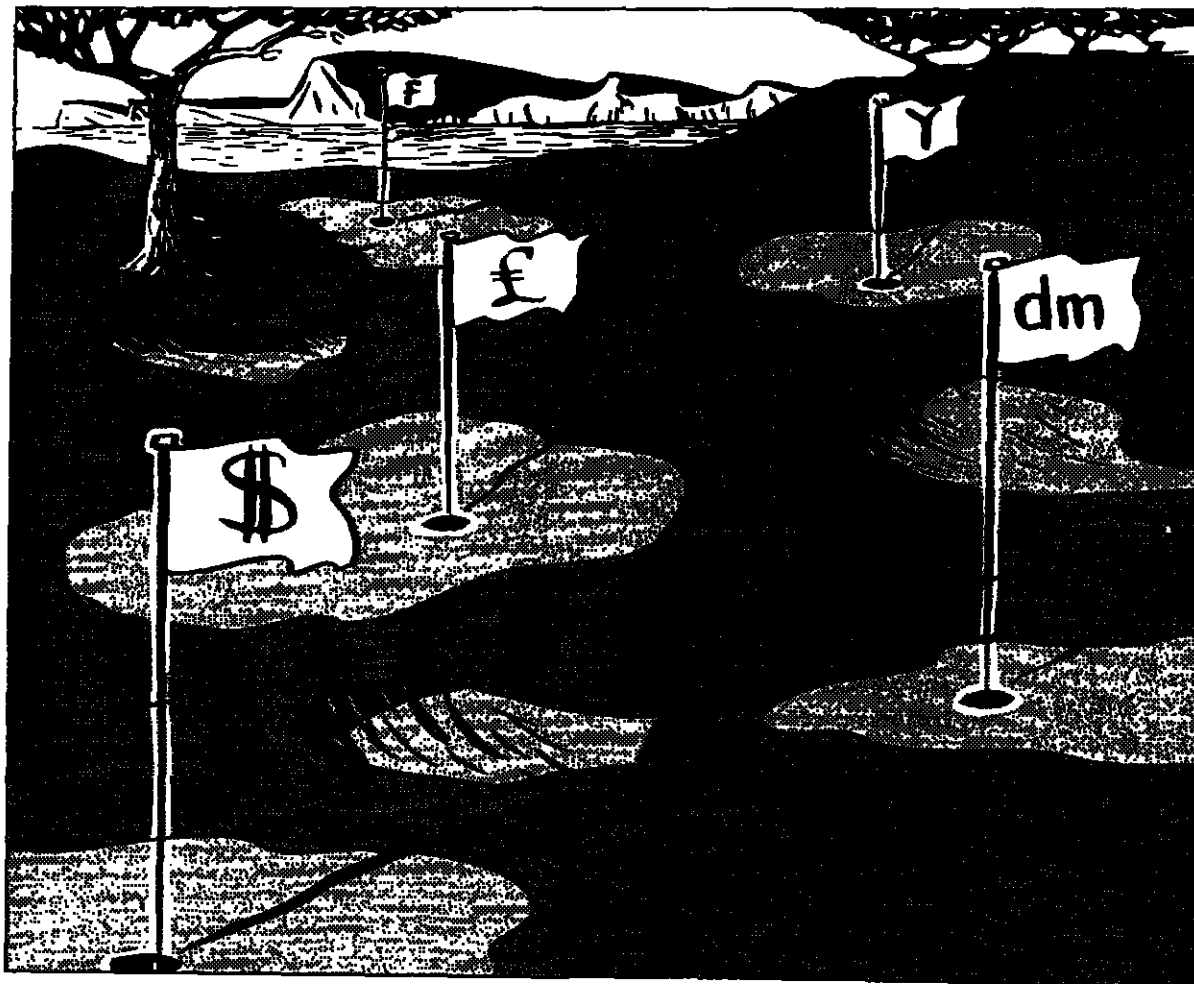
Due to the bank's important role in the Luxembourg economy, as well as its strong asset quality and adequate capitalization, Moody's and Standard & Poor's have assigned in 1994 an Aa1/AA+ rating to BCEE.

In fact, when dealing with Luxembourg's Banque et Caisse d'Épargne de l'État, everything is done to make you the Number One.



BANQUE ET CAISSE D'ÉPARGNE DE L'ÉTAT LUXEMBOURG

Head Office: 1, Place de Metz L-2954 Luxembourg Tel. 4015-1



Our international links offer exceptional opportunities for those with drive.

With contacts in 40 countries, our experience of international finance and personal wealth management is well above par.

That's why Lloyds Bank International Private Banking Luxembourg is particularly skilled in helping people like you - people short of time, not money.

The needs of private investors are clearly understood in Luxembourg and witnessed by the degree of investor protection and safeguards covering confidentiality, the free movement of capital and a very competitive fee structure.

We at Lloyds Bank Luxembourg give you the personal attention of a specialist account executive who will discuss your financial objectives and mobilise the Bank's skills, resources and contacts to help you achieve them.

It's rather like having your own personal banker - wherever in the world you go.

To discover how you can benefit from the financial expertise and personal services Lloyds Bank International Private Banking Luxembourg offers, please contact:

Tony Miles or Paul Turton, Lloyds Bank Plc, 1 rue Schiller, B.P. 1643, L-1016, Luxembourg. Telephone: (+352) 40-22-121. Facsimile: (+352) 40-16-08.



Lloyds Bank International Private Banking

This advertisement has been issued by Lloyds Bank Plc, a member of IMRO. Rules and regulations made under the Financial Services Act 1986 for the protection of investors, including the Investors Compensation Scheme, do not apply to the investment business of Lloyds Bank Plc carried on from branches outside the United Kingdom.

There are nineteen international private banking offices within the Lloyds Bank Group worldwide: B.V.L., Cayman, Dubai, Geneva, Gibraltar, Guernsey, Hong Kong, Jersey, Liechtenstein, London, Luxembourg, Miami, Monaco, Nassau, New York, Panama, Singapore, Taipei, Zurich.

NORTH AMERICAN BUSINESS LOCATIONS

Wednesday October 19 1994

The race is on to expand operations in a trading area which, thanks to Nafta, has 360m consumers.

Martin Dickson examines the prospects

Motor industry sets pace for investors

There is no more clearcut illustration of the importance of North America as a business location for European and Asian corporations than a string of recent investments in the motor industry.

Toyota, the largest Japanese vehicle manufacturer, announced recently that it would be raising its vehicle production in the region by nearly 50 per cent over the next two years, taking its total output from 533,000 units to 790,000 a year.

The increase will come from its existing manufacturing plant in Kentucky, where it has already put in place the necessary extra production capacity; from New United Motor Manufacturing, its California-based joint venture with General Motors; and from Toyota Motor Manufacturing in Canada.

In July, Honda, Japan's third largest carmaker (and the first to establish a manufacturing presence in the US, in the early 1980s), announced that it planned an 18 per cent increase in North American vehicle capacity over the next three years and a 50 per cent boost in engine-making capacity by 1998. Again, the expansion will take place at its existing factories in Ohio and Ontario, Canada.

The Japanese companies want to increase their US output partly because the rise in the value of the yen, relative to the dollar, has made it uneconomical to import many vehicles from Asia, and partly because Tokyo is under strong US pressure to reduce its trade imbalance with America.

But they are hardly alone in their expansion plans: over the past two years two German luxury car manufacturers - BMW and Mercedes-Benz - have both announced plans to locate in the US, their first manufacturing plants outside Germany. BMW has built a factory in South Carolina, which produced its first vehicles last month, while a Mercedes plant is going up in Alabama.

Both have been lured by America's relatively low labour costs (partly a function of dollar weakness), by the skills of its workforce, and by the competitive edge they hope they will gain from being direct participants in the world's most cut-throat vehicle market, and one of the most innovative. Like the Japanese, their new US production will be aimed both at domestic consumers and at the export market.

The increasing motor industry investment is being replicated in many other sectors, and for broadly similar reasons: no company seeking a global presence can ignore either the size or fiercely entrepreneurial character of the US market.

For the US remains by far the world's largest market speaking a single language, while this year's implementation of the North American Free Trade Agreement has created a trading area, also embracing Canada and Mexico, of more than 360m consumers. Nafta is starting to have a significant impact on location decisions.

Chrysler is building a new \$900m vehicle assembly plant in Mexico, and analysts expect

employment in the nation's motor industry to rise from 160,000 today to 210,000 by 1998.

Foreign direct investment in the US grew remarkably in the 1980s. This was partly through the start-up of greenfield plants, notably from Japanese car manufacturers, but much more so through the takeover of existing US companies. Direct foreign investment grew from \$83bn in 1980 to \$403.7bn in 1990.

In the late 1980s and early 1990s the growth rate dropped sharply, due to recession and to alternative investment opportunities opened up by the economic integration of western Europe, the collapse of the Soviet empire, an economic boom in several Pacific Rim nations and an improved economic climate in Latin America.

Foreign spending on acquiring or establishing US businesses totalled \$15.3bn in 1992, down roughly 45 per cent on the previous year and the fourth consecutive year of decline. It was the lowest total since the \$9.09bn in 1989.

However, over the past 18 months there has been a distinct revival in US inward investment. Expenditure in 1993 bounced back to \$26.2bn, while total foreign direct investment, at historic cost, reached \$445.5bn.

This year has seen a flurry of European takeovers or sizeable investments in US companies, including a \$5.3bn cash bid by Roche of Switzerland for drug company Syntex and a \$2.3bn offer by SmithKline Beecham for drug wholesaler Diversified Pharmaceutical Services.



But where in North America should a foreign company locate its operations? For those acquiring or expanding a US presence through a takeover, there is little choice: you set up shop where the acquired company has its facilities.

But those companies establishing a greenfield presence, or thinking of changing their existing North American locations, face a complicated trade-off involving, among many factors, the type of business they are engaged in; the markets they are seeking to serve; the type of labour force they need to attract; relative wage/real estate/utility and cost-of-living expenses; transport and other infrastructure requirements; and available government incentives.

Despite this wide range of variables, some broad trends can be identified. One of the most significant is the growth of financial assistance packages over the past few years as US states and municipalities try to woo businesses. Jim Schirmer, of PHH Fautus Consulting, a leading business location advisory group, says: "The incentive market is very hot right now and will probably stay so for a couple of years."

The most startling incentive package is that awarded by Alabama to Mercedes: an initial \$253m, with tax breaks over 25 years that could be worth an additional \$230m.

More recently, the state of Iowa gave Ipsco, a Canadian steel group, a package of tax and other incentives worth \$73m over 20 years to clinch the location of a steel mill. And last month Connecticut gave some \$120m of incentives over 10 years to persuade Swiss Bank Corporation to move its US headquarters from Manhattan, New York, to the suburban city of Stamford.

Despite the growth of incentives, most companies consider these towards the end of their site search, as one of several factors which can tip the balance between one area and another. Relocation advisory groups argue that to focus on government concessions ahead of more fundamental business factors is to risk making short-term judgments which could prove costly in the long run.

More fundamental business location trends include a continuing shift of businesses from city centres to surrounding suburbs.

Take, for example, Swiss Bank's recent decision to move to Stamford, Connecticut, from New York city, and Mastercard's plan to move its headquarters from Manhattan to New York state's nearby Westchester county.

In New York, this trend partly reflects rising Manhattan property rental prices as the city recovers from the severe recession of 1989-1993. That, in turn, underlines the fact that, despite the run of defections, cosmopolitan New York remains a crucial centre for the financial services industry, international trade and media industries.

That said, manufacturing and services industries that do not need to be in the relatively costly north-eastern US are continuing to switch to less expensive centres in the south, midwest and west. And on the west coast, there is a trend for businesses to relocate from California to fast-growing desert and Rocky Mountain states, notably Arizona, Nevada and Utah. Many are leaving the expensive, socially-troubled Los Angeles region.

Nafta is also starting to influence location decisions. Richard Greene, of Ernst & Young's international corporate real estate consulting service, says: "The biggest thing to have changed in the last couple of years is Nafta. We are seeing foreign companies - Canadian and Mexican as well as European and Asian - re-examining where in America to do business. They are looking for the best place to access the entire North American market."

Mr Schirmer of PHH says that it has seen "very little work resulting from Nafta. Companies that want to be in Mexico already have a presence in Mexico."

But he adds that many companies are still organised on a country basis, rather than a regional basis, with three separate corporate staffs for the US, Canada and Mexico, and these will have to be cut eventually to one. "Companies have not dealt with this yet, but they will have to."

IN THIS SURVEY

□ The strengths and weaknesses of the US regions
□ Mexico welcomes foreigners with open arms
Page 2

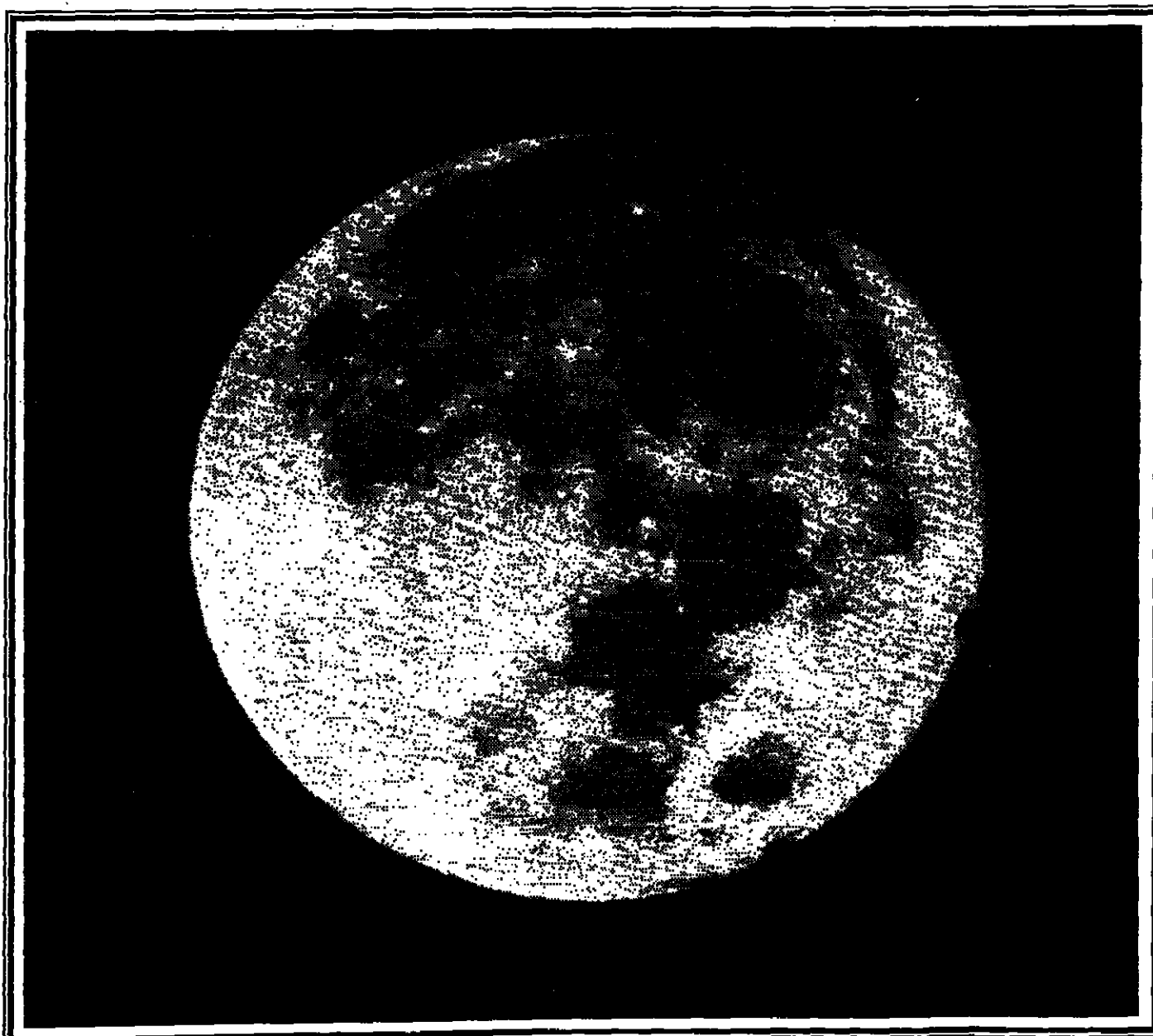
□ Free trade has broadened the horizons of Canadian companies
□ Selection consultants are unseen players for big stakes
□ How to choose the ideal site
Page 3

□ Making that all-important decision requires detailed analysis of several issues
□ Why BMW chose South Carolina as the site for its plant
Page 4

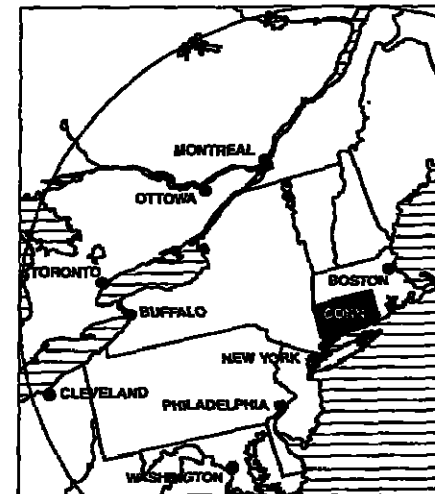
□ How Iowa won the battle for a steel mill
□ Small-town values have the edge over the big cities
Page 5

Editorial production: Roy Terry
Illustration: David Brantley

In Connecticut, How Far Can A High-Tech Business Go?



Rocket engines and space suits. Microsurgical instruments and robotics. These are just a few of the hundreds of high-tech innovations coming out of Connecticut today. Why do leading-edge enterprises base themselves here? To draw from a skilled work force that has mastered the most advanced production processes. To have all the service suppliers they need within a two-hour drive. To capitalize on a gateway that puts more than one-third of the U.S. population and more than two-thirds of Canada's within 800 kilometers. To get flexible financing and generous tax benefits from the State. To enjoy America's richest cultural life. And to make their homes where people of diverse backgrounds come together in a true spirit of community. This is why more than 100 national and international marketers have put their manufacturing and distribution centers here in the past ten years. For a closer look, fax the Connecticut Economic Resource Center, Inc.: U.S. (203) 571-7150.



Major markets within 800 kilometers.

CONNECTICUT
The State That Thinks Like A Business.

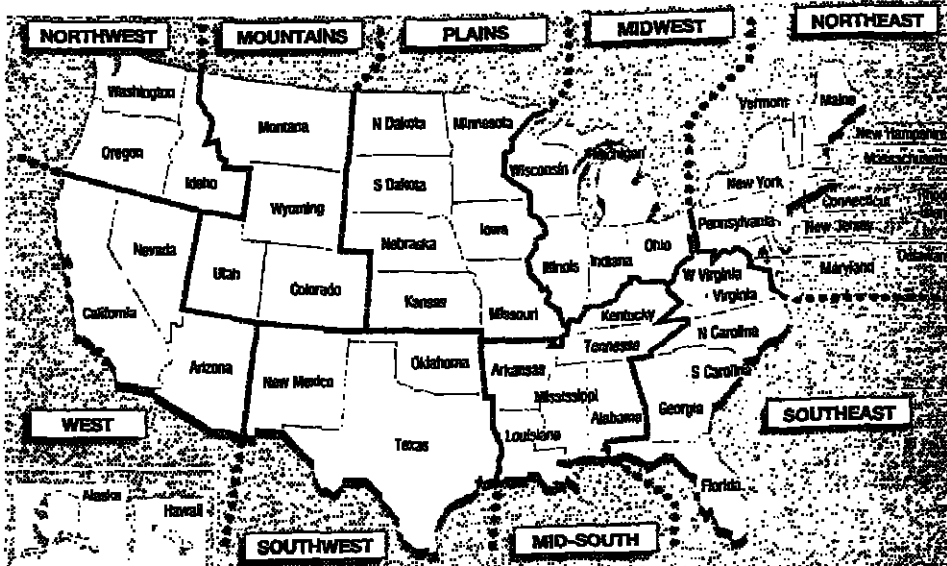
NORTH AMERICAN BUSINESS LOCATIONS 2



Olympic city: Atlanta is the unofficial capital of the south-east region



Washington fathers: Seattle-based Boeing has had to cut back on production



Go west, young man - but make sure you shop at the Rocky Mountains.

That might be useful modern-day advice to the adventurous and entrepreneurial, since for the past three years the six states down the spine of the Rockies, plus the nearby desert states of Arizona and Nevada, have been the fastest growing region of the US, measured by job creation.

The nation's fastest growing city is the gambling centre of Las Vegas, Nevada, where employment is expected to rise 7 per cent this year. Utah is the fastest growing Rocky Mountain state, with 6 per cent job growth last year.

Contrast that with California, once the golden destination of Americans heading west to seek their fortunes: it has suffered four years of recession and this year seems likely to manage only marginal job growth as the economy shows signs of a painfully slow recovery.

This tale of two regions underscores a fact of considerable significance to companies deciding where in the US to set up shop. The nation is not so much a single economy but a collection of regional economies, with their own distinct personalities, strengths and weaknesses, and differing economic cycles.

Two broad national trends have been discernible in recent decades: strong growth in population and national output in the hot, less crowded southern and western parts of the country - the so-called Sunbelt - thanks partly to the invention of relatively cheap forms of air-conditioning.

At the same time, population growth has slowed to a trickle in the traditional industrial heartland - the so-called Rustbelt - and this region has suffered a decline in manufacturing output, as companies have been lured by the cheaper production costs of the South and its hostility to organised labour.

The north-eastern US - New England and New York state - have to some extent offset this decline in manufacturing with expansion of service industries. Boston, for example, is a powerhouse of the computer services, medical and teaching industries, while New York city remains the world's foremost financial services centre and an important location for the global trade and media businesses.

The huge amount of intellectual capital located in the north-east and mid-Atlantic states will continue to give the

Martin Dickson examines the strengths and weaknesses of US regional economies

A place in the Sunbelt beckons

region a strong comparative advantage in an era when brain power, rather than brawn, is the key to competitive advantage in the developed world. It is no accident that in a survey last year by *Fortune* magazine of the "best US cities for knowledge workers", New York emerged in second place and Boston third. Raleigh/Durham, in North Carolina, topped the list.

That said, the north-east is only now recovering slowly from a severe economic downturn between 1989 and 1993, which was brought on by the contraction of the securities industry, the bursting of a property bubble and the federal government's sharp cuts in defence spending, which hit the region disproportionately -

just as the boom in 1980s defence spending helped give it an abnormal boost. The region is expected to see only modest growth - of around 2.5 per cent - this year and next. Expansion will be restrained by continuing defence cuts, falling profits in the securities industry, and the restructuring of large local companies such as Eastman Kodak and IBM.

Defence cuts and an over-inflated property market have also been a principal factor in California's long recession, which began in 1980, and at last seems to be ending. The aerospace industry - long a mainstay of the economy - is continuing to cut jobs and some companies are moving operations to other states,

weary of California's high business costs and red tape. The Center for Continuing Study of the California Economy, a research organisation which has long been bullish on the state's prospects, insists that the state has strong long-term potential, based on foreign trade, high-technology, professional services, tourism and entertainment.

But it argues that the principal threat to job and income growth is "the lack of a strategy to prioritise and fund critical public investments, such as infrastructure and education".

Further up the west coast, the state of Washington is also suffering a slowdown in growth as the recession in the civil aircraft industry forces Seattle-based Boeing to cut

back on production. However, Washington, which enjoyed above average growth in the early 1990s, remains one of the more attractive US business locations, with Seattle often near the top of a locational league tables.

The state has strong position in some of the world's leading edge high-technology industries, strong ties with the booming Asian Pacific Rim countries, and great beauty.

For now, however, the fastest growing regions of the US are in the south and/or centre of the country.

The Rocky Mountains are expected to show growth of around 5 per cent this year, dipping perhaps to 4 per cent in 1995, thanks to an influx of manufacturers from other

the above the national average. Cities such as Houston, Dallas and Austin have become centres of high-technology excellence and the state will benefit greatly from its proximity to Mexico as the North American Free Trade Agreement increases trans-border economic activity.

The upper-midwest - an area which encompasses much of the traditional Rustbelt and ranges from Ohio in the east to Iowa in the west - is also thriving and has transformed itself over the past 20 years.

At one time it appeared to epitomise the problems of American heavy manufacturing industry: its car, motorbike, machine tool, steel and equipment manufacturers were all losing out to Asian rivals and the region looked to be in irreversible decline.

The machine tool and motorbike industries remain shadows of their former self, but the US motor and equipment industries have become much more competitive operations and the region has diversified

into a wide range of leading edge industrial sectors and adopted a much more international outlook.

The region neither soared during the 1980s with the defence boom nor suffered so much as the east and west coasts in the defence/property downturn of the early 1990s, and seems set to maintain solid, stable growth of 4 per cent or more this year and 3.5 per cent next year.

That rate of expansion could put it close to the south-east, which is growing faster than any region but the Rockies, thanks to population growth, company relocations, and greenfield factory construction, such as BMW's plant in South Carolina and a Mercedes plant being built in Alabama.

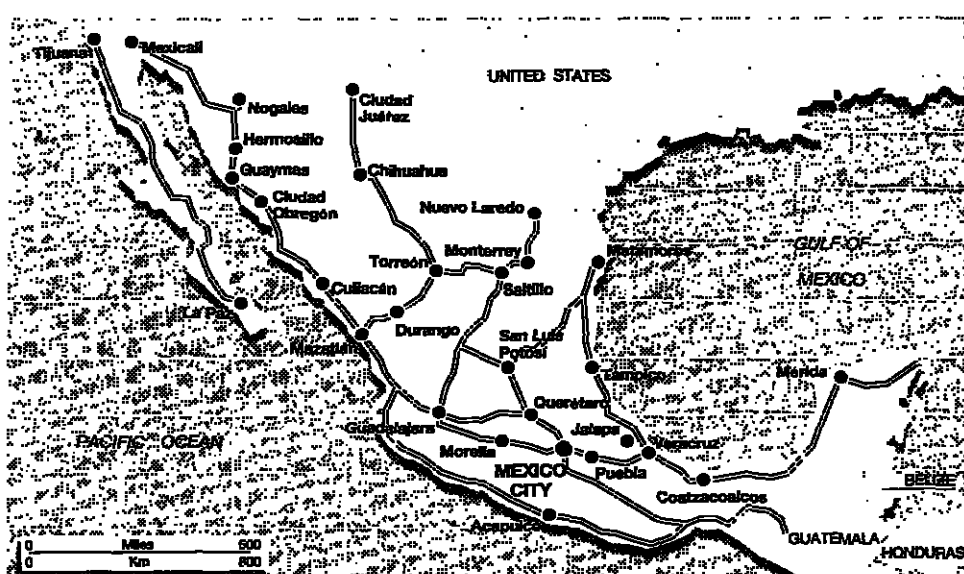
Atlanta, the unofficial regional capital, will get an additional boost from the 1996 Olympics, to which it is playing host. Florida is suffering from a sluggish tourist industry but is emerging as an increasingly important centre for Latin American trade.

With its access to the US and Canadian markets guaranteed by membership of the North American Free Trade Agreement, Mexico expects to become a haven for foreign companies in search of a cheap labour force and a stable investor-friendly country with more than 85m people.

In the first seven months since the treaty came into effect, there are already signs that Mexico's ambitions are being fulfilled. Despite the tremendous political uncertainty before the August presidential election, direct foreign investment rose by 32 per cent to reach \$8.035bn compared with the same period last year.

The largest share of the foreign investment - 62 per cent - came from the US in previous years. But the passage of Nafta has not increased the US proportion of investment. High-profile non-US companies such as BMW, Honda, and Labat, the Canadian brewery, have recently announced plans to invest in Mexico, raising slightly the share of non-US investment in the country this year.

Under Nafta, Mexico, the US and Canada have agreed to remove almost all trade and non-trade barriers over 15 years. With Mexican wages roughly one fifth of those in the US, economists expect many US and Canadian companies to move their labour intensive operations south of the border - continuing a



Mexico: Damian Fraser assesses the prospects

Foreigners welcomed with open arms

trend towards economic integration that began well before Nafta was proposed.

Mexico further agreed to liberalise its foreign investment law in the Nafta negotiations. Under the new laws, Mexico's financial sector is open to US and Canadian investment, red

tape on obtaining approval in other sectors is significantly reduced, and many restrictions on investing in border and coastal zones are lifted. Most of the concessions offered to the US and Canada have subsequently been granted to other countries.

The big three US car companies were among the first to spot the advantages of investing in Mexico and exporting parts or finished vehicles to the US and Latin America, and have plans to increase their investment in Mexico in coming years. They have now been joined by many German and Japanese auto manufacturers, who have recently announced their intention to make large new investments in the country, in part so as to be able to meet higher local content rules prescribed under Nafta.

A study commissioned by the Mexican Investment Board - the government-sponsored investment agency that is the first port of call for foreign companies moving to Mexico - reckons electronic, building materials, apparel and mining are the other sectors of most probable interest to international companies seeking to locate south of the border. The study concluded that Mexico's pro-business climate, quality of government, access to the US and its cheap work force, were among the main factors attracting companies to the country.

Mexico's other principal attraction was the growing domestic market of 85m consumers. So far most companies seeking to sell to Mexicans, such as Labat, the Canadian brewery, Bell Atlantic, the telephone company, Wal-Mart, the US retail chain, have entered the market with Mexican partners. But some, such as the 20 foreign banks which have applied to open subsidiaries, are going it alone.

After subdued economic growth for the past couple of years, the foreign investors looking at the internal economy are hoping for a recovery next year. The government has

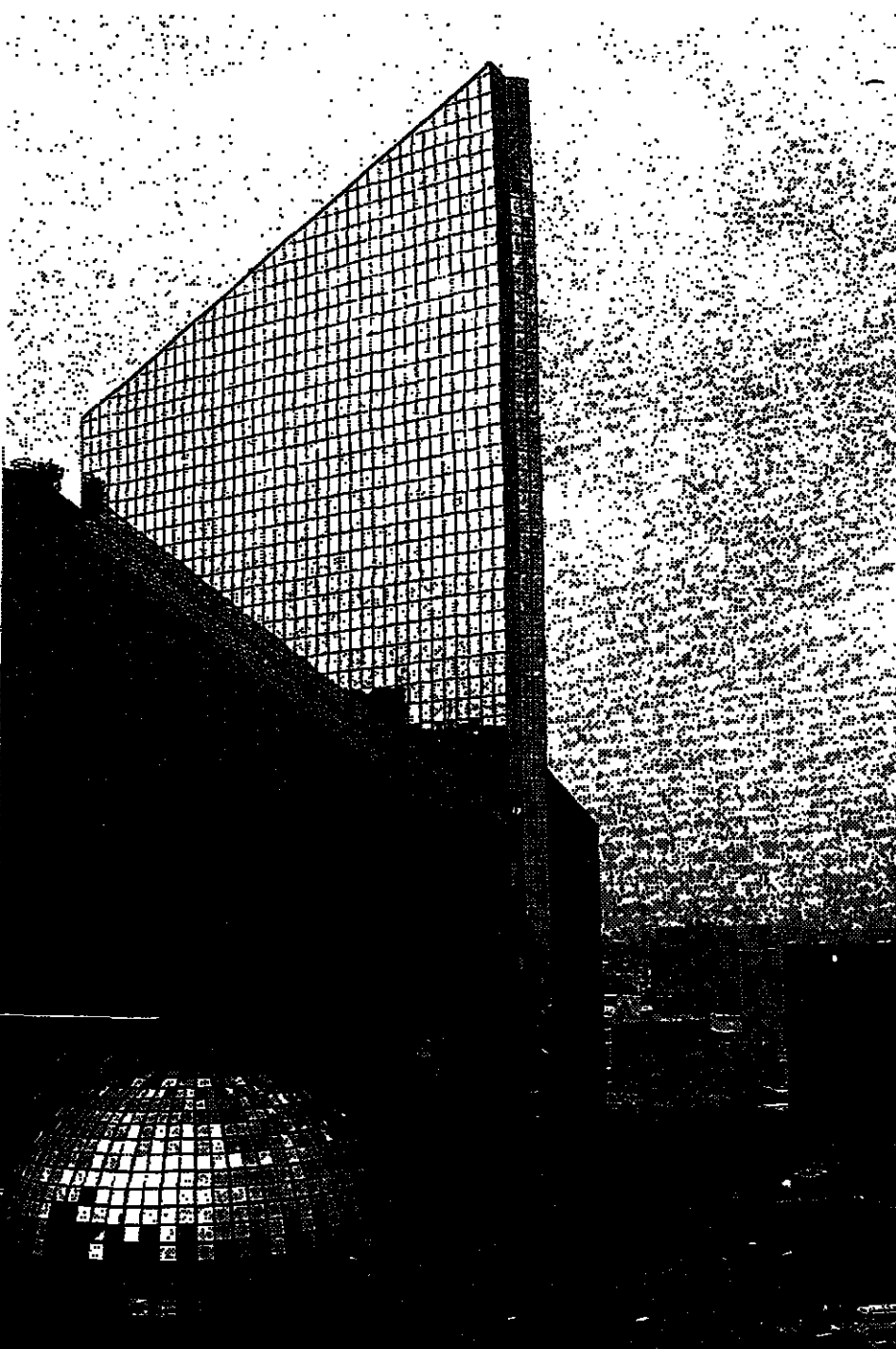
forecast an expansion of about 4 per cent, regarded as well within reach by most independent economists. Inflation, meanwhile, is expected by the government to fall to less than 7 per cent this year, and to 4 per cent next year.

But despite the evident attractions of investing in Mexico, many foreign companies have found out that doing business there is more expensive than might appear. Workers on average are considerably less productive than in the US, infrastructure is poor (especially in railways and ports), the cost of capital is high, regulations governing ownership are unclear and law enforcement unpredictable. While the federal government is considered helpful to foreigners, state governments, with some notable exceptions, are often bureaucratic, and prone to corruption.

Nor does Mexico enter into bidding wars for companies seeking to receive benefits for locating in the country. Companies (foreign and domestic alike) receive modest federal tax breaks for new investments, and for buying anti-pollution equipment. State governments can give land away or help train workers. But, generally, the government opposes giving discretionary benefits to foreign companies planning to invest in Mexico.

Some of the obstacles to foreign location in Mexico will be addressed by the incoming government of Ernesto Zedillo. His administration has pledged to boost spending on vocational training for workers, to commit to a significant expansion of the country's infrastructure, to lower interest rates by reducing inflation still further, and to enforce the law with respect to property rights and application of regulations.

There is little doubting the importance Mexico's government now attaches to foreign investment, and the open arms with which it welcomes any who are willing to set up operations in the country.



Open-door policy: Mexico's financial sector now welcomes US and Canadian investment

Rod Moxley

Legal
Services
for
Multinational
Clients

We are a 250 lawyer full-service law firm. Our International Group offers a complete range of legal services to multinational businesses, including:

- United States and International Taxation
- International Acquisitions, Mergers and Joint Ventures
- United States and Eurodollar Financings
- International Licensing and Technology Transfers
- Insurance and Reinsurance
- Immigration and International Estate Planning
- Litigation and Alternative Dispute Resolution

Sutherland, Asbill & Brennan

<p>IN ATLANTA, GEORGIA 999 Peachtree St. NE Atlanta, GA 30309-3996 (404) 853-8000 Contact: Peter H. Dean</p>	<p>IN AUSTIN, TEXAS 111 Congress Ave., 23rd Floor Austin, TX 78701-4079 (512) 469-3350 Contact: Richard P. Noland</p>	<p>IN NEW YORK, NEW YORK 170 Avenue of the Americas New York, NY 10020-1700 (212) 332-3000 Contact: Burton K. Haimov</p>	<p>IN WASHINGTON, D.C. 1275 Pennsylvania Ave., NW Washington, DC 20004-2404 (202) 263-0100 Contact: Gordon O. Peterson, Jr.</p>
--	---	--	---

TENNESSEE

JOIN US. WE HAVE:

- Dynamic Growth
- Business Friendly
- Communications Centre
- NAFTA Markets
- Free Trade Zones
- Trained Work Force
- Quality of Life

BUSINESS / INVESTMENT

FRED LITTLEFAIR-MOLIN
INTERNATIONAL SPECIALIST
Tel: USA 616-244-2626
Fax: USA 616-254-4357
700 18th Ave., South
Nashville, TN 37203

**We are
New York**

**The Empire
State Building**

Pre-Built Units
388 SF - 663 SF
13,725 SF

Full Mid-Tower Floor
38,500 SF - Includes New
Building Installation

HELMSEY-SPEAR, INC.

Stephen A. Tole
Vice President/General Manager
Thomas P. Sullivan, AP
212-736-3100
212-967-6167
Fax: 212-967-6167

John B. Trause, Jr.
Senior Vice President

Handwritten signature: J. J. J. J. J.

NORTH AMERICAN BUSINESS LOCATIONS 3



A high price to pay: apart from frigid winters, Canada has several other drawbacks. Houses cost more in Toronto (above)...

Canada: Bernard Simon on the pros and cons of a move north of the 49th parallel

Business looks southwards

The climate for investment in Canada has improved markedly in recent years. The irony is that many businesses, once established north of the 49th parallel, prefer to look southward to the US for new opportunities.

Much of the impetus has come from the 1989 US-Canada free trade pact and this year's North American Free Trade Agreement (Nafta), which also includes Mexico.

Free trade has broadened Canadian-based companies' horizons. At the same time, the twin shocks of free trade and the 1990-92 recession have brought about a sharp improvement in productivity. Trade unions and government regulators have become more flexible as domestic industry has been exposed to stiffer foreign competition.

The economic upswing is now well under way, with real growth expected to reach around 4 per cent this year, one of the highest among OECD countries. This year's climb in interest rates could dampen growth slightly in 1995, but economists forecast that output will expand by at least another 3 per cent.

Despite the growth in overall business activity, property prices and office rentals in most cities have yet to recover

fully from the recession. Inflation is virtually non-existent, although it is likely to accelerate to about 3 per cent next year.

The federal government and the 10 provinces - even the three governed by the interventionist New Democratic Party - eagerly court foreign investors.

Regulators are making life easier for business by gradually lightening their touch on such industries as telecommunications, power generation, transport and energy. Growing competition among telephone companies has cut the cost of long-distance calls by as much as 60 per cent over the past seven years.

The climate in Ontario, which generates some two-fifths of Canada's total economic activity, could brighten further after provincial elections due to be held next year. Barring a dramatic reversal in its low popularity ratings, Ontario's present NDP government is likely to be replaced by a more business-friendly Liberal or Conservative administration.

Owen Krassweller, international tax director in Ernst & Young's Toronto office, adds that many overseas companies looking for a North American base feel more comfortable

with the lifestyle and business culture in Canada than in the US. "Rightly or wrongly, Canadians are perceived as being more open, honest and easier to deal with than Americans," he says.

Mr Krassweller says the conventional wisdom that corporate taxes are lower in the US than Canada is "probably a misconception". He estimates that combined federal and state taxes in New York state are "not much different" north of the border. Furthermore, US employers bear the full brunt of the cost of health care for their employees, while the Canadian provinces fund their services from general tax revenues (including in several cases, a payroll health tax).

Even the threat of Quebec breaking away from the rest of the country is not necessarily a deterrent to setting up in Canada. "Regardless of the political outcome, the people will still be there, and there will still be economic activity," says Peter Jones, president of the Canadian subsidiary of Salomon Brothers, the US investment bank, which is in the process of expanding its Toronto-based operations.

Salomon is by no means alone. Anecdotal evidence suggests that the brightening business climate has drawn a substantial number of foreign

companies to Canada - either to set up new businesses or to expand existing ones.

However, with the notable exception of North American and Japanese carmakers, most of the investments have been in service sectors.

The list of US retailers that have moved into Canada is long. Wal-Mart paid about C\$300m earlier this year for 123 stores owned by FW Woolworth. Home Depot, a big Atlanta hardware chain, has set up a joint venture with a subsidiary of Molson, the diversified Canadian brewer.

Looser regulation of the telecommunications industry has attracted several foreign telephone companies, notably US-based Sprint, MCI and AT&T. The latter owns 20 per cent of Unitel, which pioneered competition in the long-distance market against the consortium of provincial monopolies.

On the other side of the balance sheet, Canada also has some definite liabilities - and not only frigid winters.

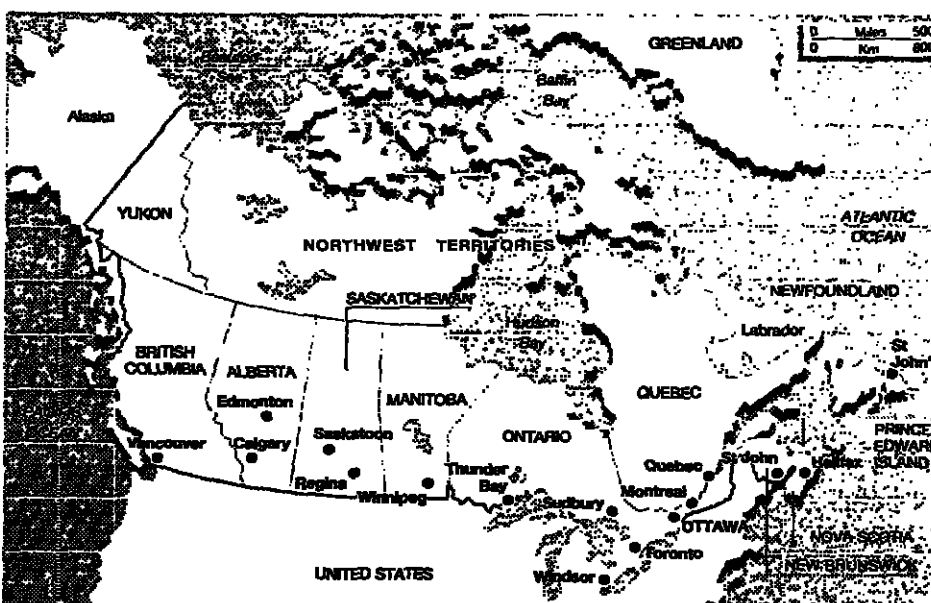
Personal taxes are substantially higher in Canada than in the US. The top marginal tax rate is around 51-53 per cent in most provinces, except Alberta where it is 46 per cent.

House prices in Toronto and Vancouver are higher than in



...and in Vancouver than in most cities in the US. Many household goods are also considerably more expensive

Picture: Glyn Glyn



most US cities. Mortgage payments are not tax-deductible and many household goods - ranging from petrol to cigarettes - are considerably more expensive in Canada.

Mr Jones says that these differences favour hiring people locally or buying a Canadian business: "It's expensive to transfer someone from a US

location to a Canadian location." He estimates that a US executive's salary must be roughly doubled to maintain the same after-tax income in Canada.

Geography and demographics are a daunting obstacle to any business planning to operate in more than one region. With a total of only 28m inhab-

itants, Canada - which is sometimes described as a "clothes line of a country" - stretches across five-and-a-half time zones. The four Atlantic provinces are separated from the rest of the country by French-speaking Quebec.

The provinces' wide powers, which in some cases overlap with the federal government,

can make life difficult for business. Different rules and standards, including different tax regimes, apply in each province.

Some progress has recently been made in bringing down non-tariff trade barriers between the provinces, such as procurement preferences and professional licensing requirements. But they remain an irritant.

Provincial government policies can vary widely. At one extreme, Alberta's Conservative administration is closing hospitals and schools in pursuit of its target of a balanced budget by 1997. At the other, Ontario has expanded the rights of trade unions and tightened "employment equity" rules for the hiring of minority groups.

Quebec's agenda is likely to be dominated by the new government's drive to win the independence referendum which it has promised to hold in 1995.

With all these regional wrinkles, it's hardly surprising that many businesses, both domestic and foreign, prefer to expand into the US rather than tackle other parts of Canada. Free trade has made that strategy even more attractive.

Barbara Harrison examines the role of relocation advisers

Unseen players for big stakes

Site selection consultants are often the unseen players in the big stakes game of relocation. So, who are they?

A few decades or so ago, site selection was a relatively narrow affair that included assessing real estate prices and the pros and cons of various locations in terms of roads, electricity, local wage rates, airport access, and other critical factors. These assessments were often handled inside a company.

But outside consultants were increasingly brought in as the selection process became more competitive among US cities and states offering incentives to attract investors. Advisers, as outsiders, were considered more objective about the alternatives.

Today, site consulting has mushroomed into a significant business. Although no public estimates exist on total fees earned or even the total amount of investment handled, site consultants say the business is lucrative and point to the entry of the big six accountancy firms as evidence of its size.

The two leading traditional firms specialising in site consultancy are Chicago-based PFI Fantus and New York-based Moran, Stahl & Boyer (MS&B). The big six accountancy firms have more recently joined the fray, in particular Deloitte & Touche, Andersen Consulting, Price Waterhouse, and Ernst & Young. Several large engineering firms, notably California-based Fluor Daniel which handled Mercedes' move to Alabama, also offer site consulting services. And there is a plethora of small shops, specialising in particular areas.

The levels of business among firms varies widely. The annual number of assignments for an industry leader such as Fantus, which handled BMW's move to South Carolina, is more than 100, almost all of which come from blue-chip companies, while a small shop might handle two or three deals a year.

But Fantus and Moran, Stahl & Boyer have been fighting some increasing hot competition in the past few years, especially from the big six. Ernst & Young only formally constituted its site selection unit two years ago and it is already handling 20 to 30 assignments a year, according to Barry Barovick, director of corporate real estate consulting for Ernst & Young.

Deloitte & Touche decided it could build a separate practice around site selection about three years ago. With two top consultants poached from Fantus, Mark Klender and Philip Schneider, it has one of the stronger fully dedicated site selection teams at the big six.

Choosing the ideal site

The first step in site selection is corporate planning. Consultants emphatically say that a company's strategy for a relocation must be clear from the start. In this, consultants can elicit some clarity by posing the right questions, such as "What are the problems you think a move would solve?"

The consultants then begin to explore the needs that a company must have satisfied in any relocation. These can vary. If it is a distribution centre, highways, airports, telecommunications and proximity of markets will be at the top of the list.

If it is a manufacturing plant, the availability of labour, wages, power costs, proximity of suppliers and operational costs will be top concerns.

A variety of data bases are consulted to find a pool of locations that fit the client's needs. These are then whittled down after closer examination and a refinement of demands. For example, a

good consultant will know that an American high school diploma in New York city means little in the way of basic skills, while the same diploma in Minneapolis means the graduate can read, write and do sums.

With a narrowed list, the consultants then often organise field trips for the company's top executives to see the sites themselves. These often include presentations by local business and government officials. Some cities and states have sophisticated business recruitment programs and consultants should have the knowledge to know who can really deliver on their promises.

Consultants can help sort out the incentives and deal sweeteners that various locations offer. And, once the choice is made, they will negotiate the deal and implement it. This can mean everything from helping relocated employees find housing to advice on job-hunting for spouses and schools.

site about \$2m worth of investment a year and about a quarter of that is European firms coming to the US."

Smaller consultants may provide a narrower range of services, but their business is built more directly on personal relationships and trust.

Wesley DeVito, for example, operates as a "finder" for British companies interested in US - and particularly south-eastern US - investments. Mr DeVito is more oriented to mergers and acquisitions by British companies wishing to have a US presence than green field site selection. But his Atlanta-based five-man shop is a successful niche participant.

The upshot of the increasing competition is that Moran, Stahl & Boyer, acquired in 1990 by financial services giant Prudential, and Fantus, a division of the PFI Corp, are undergoing a restructure to act more like the management consulting firms with which they are competing.

Moran, Stahl & Boyer, which produces annual studies on favourite business cities for Fortune magazine, now is focused on location feasibility and selection, while the implementation of the move, such as housing for employees, is carried out by its sister company, Prudential Resource Management, according to Charles Galloway, executive vice-president of MS&B. Fantus will now have three separate segments, one for private sector companies in North America and Europe, one for the public sector (advising on economic development for locations that want to attract investors) and an international unit that will focus on the Pacific Rim.

The consultants all nonetheless say that business is booming. After the lean and uncertain years at the start of the 1990s, US companies are once again making capital investments. And, they say, international business is pouring in as more companies seek to strategically position themselves to compete in the North American market.

PHILADELPHIA

SMARTER

- Fortune ranks Philadelphia in the top ten "Best Cities for Knowledge Workers."
- Greater Philadelphia has more than 80 colleges and universities with 50,000 graduates a year.
- Philadelphia's seven schools of medicine, 24 teaching hospitals, and numerous advanced research institutions support the growth in the region of many of the world's leading pharmaceutical and biotechnology companies.
- Many of America's leading information and communication technology companies, including Bell Atlantic, Comcast, National Media, QVC, Shared Medical, Vishay, and Unisys, are headquartered in Greater Philadelphia.

SAFER

- The most recent FBI Crime Index ranks Greater Philadelphia as the safest of the 12 largest U.S. metropolitan areas.¹

HAPPIER

- Greater Philadelphia ranks third in overall livability out of 343 metropolitan areas in North America surveyed by Places Rated Almanac.²
- The Almanac is the "Guide to Finding the Best Places to Live in North America," and compares areas for living costs, job outlook, housing, transportation, education, health care, crime, the arts, recreation, and climate.

FIND OUT MORE ABOUT WHY PHILADELPHIA IS A GREAT PLACE TO LIVE, WORK AND PROSPER.

Call or Write:
GREATER PHILADELPHIA FIRST
1818 Market Street, Suite 8510
Philadelphia, PA 19103 USA
Phone: (215) 575-2200
FAX: (215) 575-2222

Name _____ Title _____
Company _____
Address _____
City _____ State _____ Zip _____
Phone () _____ Fax () _____

(1) Portus, Nov. 15, 1993 (2) FBI Crime Index per 100,000 population (Chicago not ranked) (3) Places Rated Almanac, Prentice Hall Travel, 1993

NORTH AMERICAN BUSINESS LOCATIONS 4

Martin Dickson looks at the issues influencing the choice of location

Decided advantages and drawbacks

Deciding where to locate a business in North America presents a company with an extremely complex trade-off between factors ranging from real estate and labour costs to market proximity and the local quality of life.

Much will depend on the type of business in which a company is engaged, and the markets it is serving.

A steel mini-mill, for example, needs to be reasonably close to its markets, given the sheer bulk of its product, and also needs a secure supply of cheap electricity and scrap metal. Entertainment companies will be drawn to the industry's greatest concentrations of talent - in Los Angeles and New York City.

Tele-marketing companies can be located anywhere in the region, thanks to reliable communications systems, though they will tend towards areas where labour is cheap and the inhabitants do not have pronounced regional accents.

Industry specific issues apart, the most important factors in site location include the following:

■ Real estate costs - including lease rates, construction costs and upfront rent concessions - constitute one of the most important relocation decisions, and as the chart shows, there are huge disparities between North American cities, with southern sunbelt and mid-western US states substantially cheaper than the east and west coasts.

The North American market as a whole is only slowly

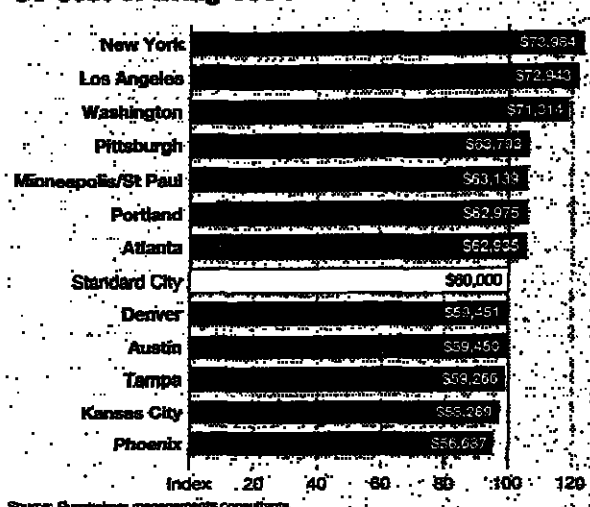
recovering from the severe property slump of 1990-1993 as the US economy expands. The US national average vacancy rate in the office sector remains not far below 20 per cent, with occupancy in primary buildings improving at the expense of secondary space. The industrial market, subject to less speculative activity in the 1980s, has less of an overhang, with the south-east, south-west and mid-west showing strongest demand.

■ Labour costs, quality and availability. Wages rates vary widely across North America (see table), with the eastern seaboard, California and some mid-western states showing significantly higher labour costs than the southern sunbelt and mountain states.

Mexico, in turn, hugely unites both the US and Canada. However, a recent survey of corporate real estate managers by location consultants Ernst & Young* found that labour costs were only of mid-level concern in site selection decisions, ranked well behind the availability of an educated workforce. This would appear to favour states and cities which can combine reasonable wage costs and a reputation for good education. A prime example is Utah, which has been enjoying one of the fastest rates of economic growth in the US over the past two years.

■ Infrastructure. Access to principal highways is of crucial importance to most companies and some 46 per cent of participants in the Ernst & Young study reckoned that the avail-

US cost of living 1994



The graph above is based on a family of four with a \$20,000 annual income, living in a 2,200 sq ft home with a mortgage. They own two cars and pay federal, state and local income taxes. The family has set aside a certain amount for investments and savings. Costing is based on representative communities surrounding the core city in which families earning \$20,000 annually are most likely to reside.

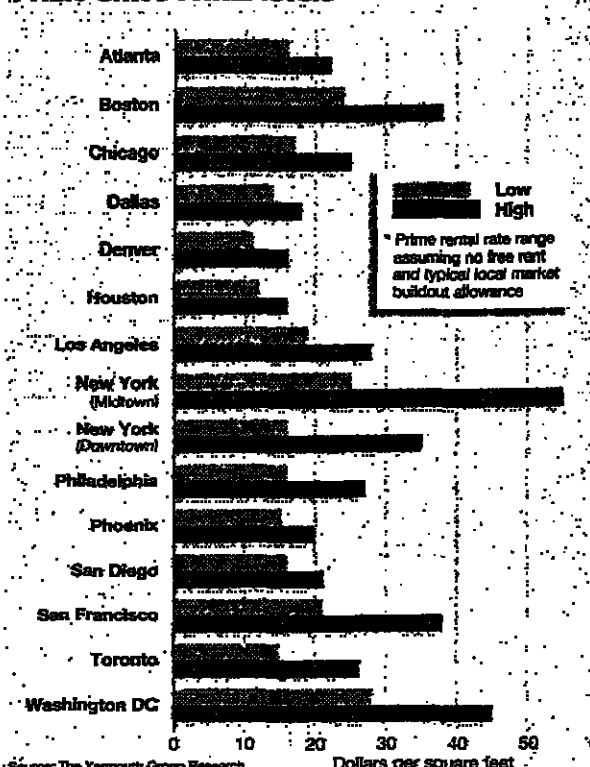
ability of advanced energy and telecommunications systems was a very important location criterion. Access to a principal airport with convenient flights will also be important to many companies, particularly foreign businesses with executives constantly shuttling across the Atlantic and Pacific oceans.

■ Tax and regulatory environment. A favourable local government attitude towards business and low property tax rates tend to be high on companies' site selection factors.

However, the Ernst & Young

study found tax and start-up incentives - so often highlighted in media reports of relocation decisions - were only named by 27 per cent of participants as constituting a very important location factor. This is perhaps not surprising, since such concessions tend to be considered fairly late in the selection process, as a tie-breaker between sites on a company's short list. But they can still be an important factor in location decisions - particularly in the case of the largest, prestige plants which

Prime office rental levels*



* Source: The Yarnall Group Research

Dollars per square foot

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

Source: The Yarnall Group Research

</

Case Study: IPSCO

How Iowa won the battle for a steel mill

The course of site location does not always run smoothly. When Ipsco, a Canadian steel company, was examining places to build a new US plant, one leading contender was a site in Iowa on the banks of the Mississippi River.

Then came the great Mississippi floods of 1993 and the site disappeared under 11 feet of water.

Ipsco, based in Regina, Saskatchewan, went on to choose another Iowa site - again close to the Mississippi, but in a somewhat more elevated position - as the location for its new \$360m mill, now under construction in the state's Muscatine County.

The facility, due for completion in April 1996, is one of the biggest development projects in Iowa. It is designed to produce in tonnes of hot rolled steel annually from scrap metal and will create 300 jobs.

But the project could easily have gone to another mid-western state. Roger Phillips, president of Ipsco, says that initially Iowa did not figure prominently in the company's site search - even though Ipsco already had a steel pipe mill located in the state.

Iowa, says Mr Phillips, was not a leading contender

because the state's taxes on machinery and equipment discouraged investment by capital intensive industries.

Iowa, however, put itself in the race by suggesting to Ipsco that it might be able to offer a break on the machinery and equipment tax.

The tax issue apart, the state met a lot of Ipsco's other site requirements: since steel is heavy, the company needed to be relatively close to the mid-

Iowa has started a big marketing push under the slogan "the smart state for business"

western markets it wanted to serve. It needed reliable supplies of its basic raw material, scrap metal, and guarantees of long-term reasonable electricity prices. Other essentials included good rail and truck transport links and proximity to a river system.

Its site list finally came down to a choice between three states: Iowa, Indiana and Kentucky.

Indiana is America's leading steel state, being home both to the large integrated mills around the town of Gary, and a revolutionary new mini-mill constructed by Nucor in the agricultural heart of the state. Kentucky has been particularly aggressive in trying to attract new manufacturing industry, including steel plants.

From Iowa's point of view, winning the battle for Ipsco became one of the highest priorities in the state's industrial development strategy. Iowa is known primarily as an agricultural state and has long been one of the leading US producers of corn and soybeans. It is also a significant manufacturer of farm equipment and consumer durable goods, being the home state of white goods manufacturer Maytag.

However, the state economy suffered badly in the 1980s. Successive recessions in the farming and durable goods sectors meant it suffered among the largest percentage drops in its employment base in the nation, losing 8.1 per cent of its workforce and 4.6 per cent of its population.

The 1980s have seen a slow reversal of the population loss as agriculture has recovered and the state has sought to diversify its economic base.

It has modified its tax structure, put in place financial assistance and job training programmes, invested \$150m in the construction of an information superhighway backbone, and started a big marketing push, including glossy advertisements in leading US business magazines under the slogan "the smart state for business".

The slogan plays on Iowa's traditionally very good educational system and its strong work ethic. (Mr Phillips says



Farming country: Iowa is primarily an agricultural state and is a leading producer of corn and soybeans

that the reputation of the school system was not a deciding factor for his company, "but it was icing on the cake"). Among the sectors targeted

by the state for development efforts are insurance and financial services (Des Moines has become a significant insurance centre); agricultural products

processing; and the metals industry, which is concentrated in the eastern part of the state. Its emphasis on metals led

state development authorities to go aggressively after the Ipsco project.

The most important component of the \$75m package the state put together is the elimination of the property tax on machinery and equipment for the project, which required special approval of the state legislature. The Iowa senate initially rejected the incentive package, last February, but then passed the measure when Ipsco threatened to walk away.

The package includes just \$3m of upfront state financial assistance, about half that which will go on road construction. The vast bulk of the aid is in various forms of tax credits, which are dependent on Ipsco making a very substantial investment in the state. Some \$36m consists of exemption from the machinery and equipment tax, while \$65m comprises foregone state corporate tax.

However, Iowa economists reckon that state and local tax receipts could receive a \$120m boost over 20 years, thanks to the project's impact on population and earnings growth, and that the public benefits of aid for the mill will easily outstrip the costs.

Martin Dickson

Martin Dickson examines why the Rocky Mountain states have become so popular

Where small-town values predominate

Why are the Rocky Mountain states the fastest growing region of the US? What are the factors encouraging businesses to relocate to the area?

The six states down the spine of the Rocky Mountains - Montana, Idaho, Utah, Wyoming, Colorado and New Mexico - together with neighbouring Arizona and Nevada are expected to show growth of around 5.3 per cent this year and 4 per cent in 1995. The expansion is all the more impressive in that it is not due to booming oil or metal prices. The Rockies have traditionally been dependent on mining, oil, farming and forestry, and the region has a history of booms and busts tied to commodity cycles.

Denver, Colorado, the Rockies' main city, enjoyed strong growth in the late 1970s, thanks to the global oil crisis, but the region largely missed out on the strong economic growth which characterised most other regions of the US during the 1980s.

The current expansion is relatively broad-based, and includes a significant number of high technology companies. But while impressive, it needs to be put in perspective: the Rocky Mountains are one of the least significant economic regions of the US, and the base

from which the area is growing is small relative to other parts of the nation. The gross regional product of the Rocky states was only \$337bn in 1993, compared to well over \$1,000bn for the booming South Atlantic region, which has Atlanta as its main business centre.

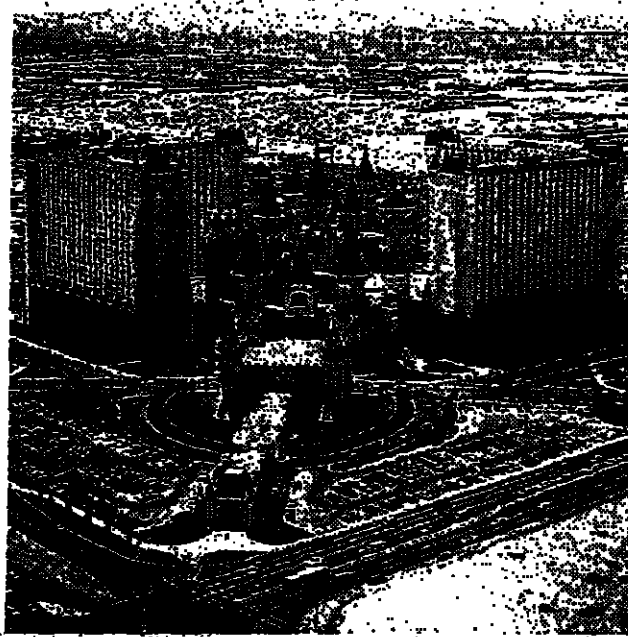
The region's high overall growth rate also hides considerable differences in the various parts of what is an extraordinarily diverse area, ranging from the rolling wheat fields of eastern Montana to the deserts of the south-west.

So while cities such as Las Vegas, Nevada, Salt Lake City, Utah, and Boise, Idaho, are all booming, predominantly rural Wyoming, with no large cities and poor air transport services, is enjoying only modest growth.

All that said, rapid growth in the Rockies is significant, in that it points up business location factors which may become increasingly important.

Three reasons for the influx of companies and individual entrepreneurs stand out: the relatively low cost of doing business in the area; its pro-business climate; and its open spaces and stunning scenery.

So far, the Rocky Mountain



Boom town: Las Vegas's new developments include the Excalibur

states have not used lavish tax incentives to attract business - because they have not needed, or been able to afford to do so. There are, inevitably, exceptions: last year Rio Rancho, New Mexico, gave a \$114m tax incentive package to encourage Intel, the California-based semi-conductor

manufacturer, into expanding its plant.

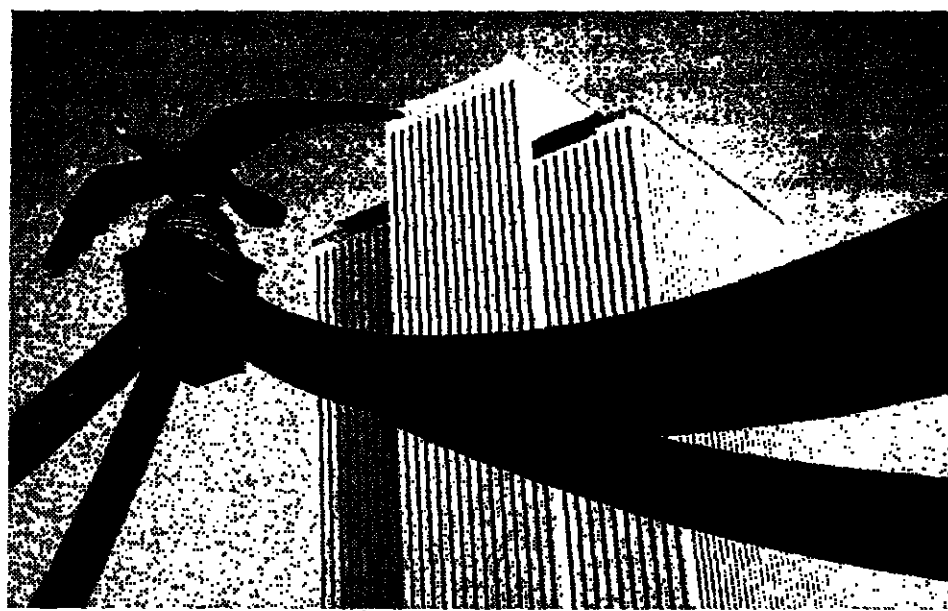
What the Rocky states do use to lure business are propaganda campaigns, aimed in large measure at Californian companies, which highlight the fact that the cost of doing business there is relatively cheap.

Many of the campaigns are aimed at small companies - the kind creating most of the job growth in the US.

Labour costs are well below the national average, and so are many other business expenses. Idaho, for example, reckons that a Californian company moving to the state can not only halve its pay bill, but it can cut fringe benefits around 50 per cent, the cost of workers' compensation for injury by a similar amount, and utility costs by more than 60 per cent. Companies which have set up substantial operations in Boise include technology groups Hewlett-Packard and Micron Technology.

Land prices are also far cheaper in the Rockies than in California, though the recent boom has begun to put significant upward pressure on house prices.

The states have also adopted aggressively pro-business policies, for example by imposing moderate business taxes and cutting the red tape required to set up shop. One company which relocated last year to Rio Rancho, New Mexico, obtained a building permit in less than two weeks at a cost of just \$2,200. It reckoned that the same exercise in southern California might have taken



Hard-working city: Salt Lake City is the home of Mormons, known for their strong family values

18 months and cost \$40,000.

Another factor working in the Rockies' favour is the work ethic, which remains high in this area, as in many parts of the US which have traditionally relied on farming.

"Labour is cheaper and the work ethic is higher, so you get more bang for your buck," says an official at a company which moved from California to Boise three years ago.

The state of Utah has benefited particularly strongly from this perception. Some 70 per cent of its population belongs to the Mormon church, based in Salt Lake City. Mormons are known for their strong family values and emphasis on hard work and education.

Some companies also hope that the high quality of life in the Rockies will enable them to attract and keep well-educated employees. The mountainous offer a wealth of outdoor leisure activities, ranging

from skiing in the winter to trout fishing and horseback riding in the summer. The crime rate is generally low and traffic congestion minimal. Small-town values predominate.

Says Ms DeDee Corradini, mayor of Salt Lake City: "A decade ago, when I talked to businesses about moving to an area like this, they wanted to know what it meant for them financially. Today, I'm finding more and more asking: 'What's the quality of life? Will our employees and their families be happy living there?'"

However, California is fighting back against the lure of the Rockies - for example, by promising to cut its red tape and the Rockies also have some significant drawbacks for companies looking for the right business location.

The smaller cities and towns in the region have unimpressive air transport links with the rest of America. Contin-

tal Airlines, for example, one of a small number of airlines serving Montana, has withdrawn completely from the state this year.

Small-town virtues can also mean small-town dullness, and some companies could find it hard to get sophisticated employees to relocate to the region from America's principal cities.

As for foreign companies, Asian ones are likely to prefer a West coast location (though Utah has attracted some Japanese investment) and European ones may be put off by the significantly greater distance from headquarters - both in distance and time zone - than the Atlantic seaboard. The present boom is also bringing new social problems to the region: many long-time Rocky Mountain residents resent the newcomers, and there have been confrontations in some Utah towns between straight-laced Mormons and raucous Californian newcomers.

Martin Dickson on new trends shaping site selection

Tomorrow's locations

In considering a business location, it is important to weigh up the fact that communities are constantly changing, and so are the needs of industry. What looks like an excellent site today may seem a bad choice 10 years down the road, and vice versa.

So what do locational experts see as important new trends shaping company site selection over the next decade or so? One of the most important is that North American businesses will become increasingly reliant on well-educated employees - so-called knowledge workers - such as computer technicians, accountants, and engineers, who can give their companies the critical value added they need to compete against increasingly fierce global competition.

Factory floor employees will also need to be better trained to perform their jobs well - for example, in keeping track of the computers which run the

production process.

Companies which prosper are therefore likely to be attracted to areas which can lure knowledge workers to live in them; which have good secondary and higher education systems; and which are willing to offer generous aid in training workers.

Somewhat paradoxically, these criteria throw up as favourable centres an extremely broad range of communities - from some old eastern cities to relatively new urban clusters in the desert south-west and rural communities.

For knowledge workers are attracted both to large urban centres of intellectual excel-

lence and to the quality of life available in more rural surroundings, away from the crime, pollution and congestion of the metropolises.

Some of the most favoured business locations in North America manage to combine intellectual excellence with a high quality of life.

Perhaps the most outstanding example is the Raleigh/Durham area of North Carolina, which has at its heart the 7,000-acre Research Triangle Park, a vast campus for high-technology whose resident companies include Du Pont, Glaxo and Ciba-Geigy.

It is broadly in the middle of a triangle between the region's three big universities - Duke,

University of North Carolina and Carolina State. The area is leafy, the climate mild, the cost of living relatively low, and skidding mountains and the Atlantic ocean only a few hours' drive away.

Some analysts see so-called "second tier" cities, somewhat akin to the Raleigh/Durham model, becoming increasingly attractive as locations. These are smaller centres, with lower business costs, which have modernised themselves over the past decade or more and offer up-to-date facilities, but a relaxed quality of life. To fare best, however, they need good transport links and a good university or two.

Examples (all with popula-

tions of under 1m) include Albany, the still rather sleepy capital of New York state; Birmingham, Alabama, a city which has transformed itself from a dusty steel town into a centre of medical excellence; Austin, the capital of Texas, which has become a significant computer industry centre and is home to the main campus of the University of Texas; Salt Lake City, Utah, emerging as a significant high-technology centre; and Oklahoma City, Oklahoma, which has become a substantial back office and distribution centre and has an excellent vocational education system.

However, some of America's largest cities are also expected to remain extremely attractive business locations despite their relatively high costs - because of the sheer concentration of knowledge workers found there.

New York, for example, will remain a crucial centre for finance, the media, the professions and international trade.

Other big cities which appear to have a particularly bright future include Boston, thanks to computers, medicine, finance and its universities; Chicago, with an extremely diverse industrial base and excellent universities; San Francisco/San Jose, with Silicon Valley retaining its pre-eminent position as an information technology centre; and Houston, which has diversified from oil and gas into a broad range of high-technology and engineering industries and is home to several excellent universities.

Atlanta, Georgia, the capital of the booming south-east, is also extremely well placed, as is Seattle, with its cluster of high-technology industries, beautiful setting and close links with Asia.

Companies, however, should not rule out of their calculations rust-belt cities which have suffered in the past from a poor image. Take, for example, Pittsburgh, Pennsylvania, which in the 1980s was a byword for industrial depression as its surrounding steel mills closed. It has diversified its economic base and the city centre, with its dramatic riverside setting, now has a thriving, confident air.

WHEN MERCEDES-BENZ LOOKED TO THE U.S.A., THEY LOOKED TO FLUOR DANIEL.

They looked to the right people. Fluor Daniel realizes site selection is perhaps the most critical factor in the profitability of any new venture. We're an integral part of a world class engineering and constructing firm which gives our clients access to technical resources spanning the globe.

And we have over 25 years of siting and consulting experience to draw upon. Perhaps that's why over 50 corporations have chosen Fluor Daniel to provide location analyses in the last three years.



Let us show you where to look... and why! To learn more about the value of Fluor Daniel's professional Siting and Consulting Services, just ask. Please contact:

Pieter Oldewurris
Fluor Daniel B.V.
Surinameweg 17
2035 VA Haarlem
The Netherlands
Phone: 31-23-432600
Fax: 31-23-360436

William Dorsey
Fluor Daniel
100 Fluor Daniel Drive
Greenville, SC 29607
Phone: 803-676-7295
Fax: 803-676-7633

FLUOR DANIEL
Look To The Leader.



Arkansas Has What Your Business Needs To Succeed.



You may have heard of Arkansas, but did you know about our:

Training For The Next Century

Arkansas' educational institutions are committed to preparing a proficient work force now and for the future. Arkansas offers businesses a work force well prepared to meet tomorrow's challenges today.

Quality Arkansas

Arkansas offers exceptional community and business level Total Quality support through the Quality Arkansas program.

Infrastructure

A solid distribution network gives you the competitive advantage you need when accessing markets. This, combined with an abundance of natural resources, ensures that your company will thrive in Arkansas.

Profit-Oriented Philosophy

Arkansas has one of the lowest per capita tax burdens in the United States. The state's tax credits and exemptions for new and expanding companies like yours provide a means for long-term profitability.

For more information, contact...

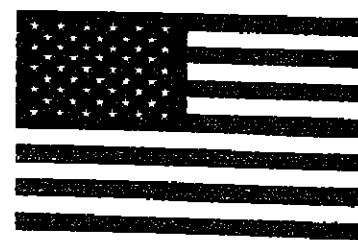
The State of Arkansas European Office
Avenue Louise 437 Bte 4 / B 1050
Brussels, Belgium
Tel: 32-2-649-6024
Fax: 32-2-649-8807



AMERICAN



We are the best of America. Helping with the little things that can make your journey, even on business, an absolute pleasure. Let a friend take you to more than 200 cities throughout this land we know so well. On American you'll see what America is like, before you ever get there. For information & reservations call your travel agent or American Airlines on 081 572 5555 or 0345 789789 (outside London).



From London, fly American to nine U.S. gateways.

American Airlines®
It's American All The Way.

0345 789789

Former BCCI chief
jailed for 11 years
over bank fraud



Page 1

Page 2

Page 3

Page 4

Page 5

Page 6

Page 7

Page 8

Page 9

Page 10

Page 11

Page 12

Page 13

Page 14

Page 15

Page 16

Page 17

Page 18

Page 19

Page 20

Page 21

Page 22

Page 23

Page 24

Page 25

Page 26

Page 27